Trust in organisations.

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Preface

I thank my research supervisor, Professor Michael Sullivan, for his support and expert guidance during my studies. I will always be grateful for the insights he provided during the many supervisory conversations and reviews of this dissertation. I also thank Lisa Diedrich, Chandler Diedrich and Grant Diedrich for their support and understanding during this process. Their constant encouragement during the many days and nights spent away were a source of inspiration that only a family can provide.

Declarations and Statements

This work has not previously been accepted in substance for any degree and is not being concurrently submitted in candidature for any degree. This thesis is the result of my own investigations, except where otherwise stated. Other sources are acknowledged by footnotes and explicit references, and the bibliography is appended. I consent for this thesis, if accepted, to be available for photocopying and for inter-library loan, and for the title and summary to be made available to outside organisations.

Abstract

This thesis seeks to contribute to the organisational trust literature by investigating the relevance of trust to organisations through executive self-reports, and exploring the potential congruities and incongruities of these self-reports with the existing trust literature. Further, the study allows for the participants to introduce unique conceptualisations of trust in organisations that may not appear in the literature but might be worthy of further consideration and research. The results of this study begin to fill an existing gap in the trust literature by considering the perceptions of the most senior executives in the corporate environment.

A trust typology is proposed (Chapter 5) which distinguishes between characteristics of genuine trust and surrogate trust. Definitions widely cited in the literature are analysed against the typology, and the executives' definitions are compared to consider congruities and incongruities of definitions. The dynamics of trust are examined (Chapter 6), and an optimal trust path for transactions is proposed (Chapter 7). The possible economic impacts of trust in organisations are evaluated (Chapter 8) and new conceptualisations from executive reports are analysed. The extensive use of metaphors by the executives to convey trust is examined (Chapter 9). Alternative configurations of trust are examined (Chapter 10) and a model for optimal trust transactions based on the literature and executive reports are presented.

The final chapter argues that future studies may benefit from the findings of this thesis, including key considerations in defining trust for research in organisations, recognising that executives may view trust as an asset that is strategically invested like any other corporate asset, expanding the scope of trust and its potential economic impacts on the organisation, and developing new models for building trust.

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CHAPTER 1: Introduction

Trust in organisations has received considerable attention in the business, sociology and economics literature during the past decade. The literature is replete with theories of trust ranging from those where trust is considered integral to the functioning of the organisation, to those where it is considered irrelevant. Few researchers, however, have studied the experiences and ideas of Chief Executive Officers (CEOs) and other senior executives on the roles of trust in the businesses that they operate. This may be because it can be very difficult to get several hours of a CEO's time to dedicate to an in-depth interview for research purposes. A widely accepted business maxim is that the most important assets a CEO has are leadership, vision and the time to execute that vision. It is therefore rare to gain access to an organisation's most senior leader and spend hours discussing trust in the organisation. But this is exactly what was accomplished in this study.

The Roles of Trust

When trust is present in any relationship it is claimed that it simplifies every transaction, from knowing that the correct change will be given at the grocery store, to having confidence that an investment made in a corporation will be protected in good faith by the recipient. Economists refer to the costs associated with everyday life as transaction costs. In the business environment many transaction costs result from the use of trust surrogates, as will be argued in Chapter 5, which are those individuals, processes and technologies that are substitutes for trust. Overly complex contracts may be considered trust surrogates when their complexity is the result of the need to reduce vulnerabilities in an uncertain relationship. The offer of free merchandise if a receipt is not given, for example, is a trust surrogate in that it safeguards against opportunistic behaviour by ensuring that the transaction has been put through the till.

Objective of the Thesis

The objective of this research thesis is to contribute to the organisational trust literature by investigating how senior executives conceptualise and report the relevance of trust to their organisations, and comparing the executive reports to the existing literature to find consistencies, inconsistencies, and novel conceptualisations.

Structure of the Thesis

After presenting the relevant literature, methodology and a description of the study participants, the remainder of this thesis is structured to provide a comprehensive treatment of the operational conceptualisations of trust in organisations as reported by corporate executives. As such, the transcribed dialogue is primarily presented in detail rather than in partial segments. This treatment is intended to allow the reader to understand key points in context and provide a foundation for understanding the full relevance of the subsequent analysis. It is also intended to provide transparency so readers may judge for themselves the validity and accuracy of the researcher's interpretation of content. Using grounded theory, the sections, chapters and subchapters emerged during coding of the transcribed interviews. The thesis is organised in chapters that build on one another.

The early chapters establish the methodological framework within which this study was conducted, and introduces the reader to the senior executives. Next, we build on this foundation by exploring the nature of trust as described in the literature and by the senior executives. This exploration is divided into three chapters: a trust typology chapter that distinguishes between the characteristics of widely cited definitions of trust and grounds this study in a *hybrid* trust that incorporates trust and trust surrogates; a chapter that describes the dynamics of trust by exploring how trust is gained and lost over time; and a chapter on optimal trust that takes the known dynamics of trust and proposes that there are optimal trust conditions for transactions. After exploring the more general nature of trust, we focus in on trust more sharply in the next chapter through a description of why executives think that trust is important by exploring the economic impact they think it can have on the organisation. We then conduct an analysis of the different ways the executives communicate their conceptualisations of trust by exploring their use of metaphors and the discourse of trust. The chapters are organised to tie together the senior executives' perceptions of the nature of trust, why they think trust is important to their companies, and how they communicate that importance. The penultimate chapter proposes an optimal trust model that draws from the literature and executive reports. The final chapter examines the potential contributions of this thesis to the existing literature and posits new avenues for further research.

The central chapters that constitute the body of this thesis are generally organised as follows:

- Introduction
- Executive Reports
- Analysis of Reports
- Summary

The introductory sections at the beginning of each chapter are intended to provide the reader with a foundation for the topic to be explored. The executive reports are blended together with transitions and observations, but otherwise are transcribed directly from the interviews conducted for this thesis. The analysis sections address the homogeneity and heterogeneity of the executive reports with the literature, as well as novel conceptualisations that may not appear in the trust literature. Some of the content in these sections goes beneath the surface of the interviews to explore patterns and differences not immediately apparent in the interview text, contradictions and other relevant data that may naturally come out in a semi-structured interview. The summary sections highlight the most important findings from the chapters and provide the source material for the final chapter of this thesis. The contributions of this thesis include key considerations in defining trust for research in organisations, recognising that executives may view trust as an asset that is strategically invested like any other corporate asset, expanding the scope of trust and its potential economic impacts on the organisation, and introducing a proposed model for building trust. Chapter 2 that follows provides a comprehensive review of the relevant literature and establishes the scholarly foundation and context for this study.

CHAPTER 2: Literature Review

Introduction

Social scientists have often drawn on personal experience as an inspiration for their research. This is true of Glazer and Strauss (1965) in their study of hospitals and the management of the terminally ill. Similarly, my personal experience as a young business owner led me to study executives' experiences of trust in their organisations. After reviewing the literature, it became clear that there were many studies related to trust in the organisation, but there was a gap when it came to Chief Executive Officer (CEO) and senior executive experiences of trust. Gaining an understanding of senior executives' perceptions and experiences of trust in organisations is an important contribution to the research literature because the ideas promoted by elites can have a profound effect on companies, industries and economies (Desmond 2004). Their ideas are found to have more of an impact on the organisation than other personnel in that their directives usually trickle down the organisation and form perceptions at every level (Harvey 2010). This study attempts to begin filling this gap in the literature by performing semi-structured interviews with thirteen senior executives from a variety of industries in the United States and United Kingdom and presenting their perceptions and experiences for consideration.

A high degree of trust among transacting parties requires less involvement from trust substitutes, such as contracts, resulting in reduced transaction costs (Barney and Hansen 1994), and may provide competitive advantages that go beyond reduced transaction costs (Zaheer et al. 1998; Dyer and Chu 2003). Trust has been associated with performance (Colquitt, Scott, and LePine 2007), behaviour (Walumbwa, Luthans, Avey, and Oke 2011), success of human resource management (Graham and Tarbell 2006), outcomes of negotiations (Olekalns and Smith 2007), and employee satisfaction (Edwards and Cable 2009). When there is a lack of trust, the role of costly trust surrogates becomes paramount, and key advantages of high trust relationships are not available to low trust exchange partners (Barney and Hansen 1994). Decisions are made every day responding to the lack or preponderance of trust present in organisations, and perceived trustworthiness can have multiple impacts on firms. Trustworthiness may affect an investor's decision to purchase shares, a customer's decision to purchase a product, or a supplier's decision to provide goods and services to a buyer.

Whereas there are multiple definitions put forward (Zand 1972; Arrow 1974; Fox 1974; Lewis and Weigert 1985; Dasgupta 1988; Gambetta 1988; Bradach and Eccles 1989; Barney and Hansen 1994; Hosmer 1995; Mayer et al. 1995; Das and Teng 1998; Rousseau et al. 1998; Bachmann in Nooteboom 2003) and types and models of trust proposed (Barney and Hansen 1994; Lewicki and Bunker 1996; Sako 1998), there remains a gap in the literature when it comes to senior executives' perceptions of trust. The objective of this research thesis is to contribute to the organisational trust literature by investigating how senior executives conceptualise and report the relevance of trust to their organisations, and comparing the executive reports to the existing literature to find consistencies, inconsistencies, and novel conceptualisations.

Trust Definitions

I review some of the important studies on trust definitions and typology below. Interested readers may refer to Arnott (2007) for an exhaustive compilation of trust related articles from the disparate fields in which trust has been explored (from psychology to sociology and information systems to marketing). Also, it is important to note that the literature on trust is ever increasing. Recent research in new areas of trust, such as affect, emotion, violation and repair, distrust, international and cross-cultural issues, and context-specific model are gaining importance (Schoorman et al. 2007).

Trust has been defined in many ways. Common characteristics in many definitions include positive perceptions of trustworthiness among actors, and a willingness to accept a vulnerable position in a transaction (Edwards and Cable 2009; Van Dijke, De Cremer, and Mayer 2010). A few definitions focus solely on accepting a vulnerable position (Chua, Ingram, and Morris 2008; Gibson and Birkinshaw 2004) and on positive perceptions or confidence alone (Nielsen and Nielsen 2009; Menges, Walter, Vogel, and Bruch 2011). There have also been suggestions that trust operates differently at higher and lower levels of an organisation (Cruz, Gomez-Mejia, and Becerra 2010; Schaubroeck, Lam, and Peng 2011; Colquitt, LePine, Zapata, and Wild 2011), and when trust is associated with a leader (Simmons, Gooty, Nelson, and Little 2009).

Gambetta (1988: 217) defines trust as "a particular level of the subjective probability with which an agent assesses that another agent or group of agents will perform a particular action, both before he can monitor such action (or independently of his capacity ever to be able to monitor it) and in a context in which it affects his own action". For Gambetta, by trusting "we implicitly mean that the probability that he will perform an action that is beneficial or at least not detrimental to us is high enough for us to consider engaging in some form of cooperation with him" (Gambetta 1988: 217). In this sense, trust can be defined as a "type of expectation that alleviates the fear that one's exchange partner will act opportunistically" (Bradach and Eccles 1989: 104). Contracts may be needed in order to reduce the likelihood of opportunistic behaviour by the partners. However, it is rarely the case that all dimensions of a transaction can be contractually specified and enforced (Fehr and List 2004).

Mayer et al. (1995: 172) define trust as "the willingness of a party to be vulnerable to the actions of another party based on the expectation that the other will perform a particular action important to the trusted, irrespective of the ability to monitor or control that other party". Only when risk and uncertainty exist, is there a need to trust (Mayer et al. 1995). Thus vulnerability is a necessary condition for trust to exist. This emphasis on vulnerability (the willingness to take on risk) is consistent with the definition of trust proposed by Das and Teng (1998), where trust is considered relevant only in risky situations. Rousseau et al.

(1998: 395) provided a cross-disciplinary conceptual definition of trust: "a psychological state comprising the intention to accept vulnerability based upon positive expectations of the intentions or behavior of another". Therefore trust is an expectation or belief that one can rely upon another person's actions and words.

Some risk must always be present if trust is to be tested and validated (Dasgupta 1988). Coping with risky situations is an important dimension in the definition of trust throughout the different approaches and disciplines; only when risk and uncertainty exist is there a need to trust (Mayer et al. 1995).

Costa and Bijlsma-Frankema (2007) examine the trust-control nexus in organisational relations. They remark that the relation between trust and control is complex and research into this relationship has led to various and contradictory interpretations on how trust and control relate. Specifically, two main perspectives can be distinguished: the substitution perspective and the complementary perspective. The substitution point of view posits that trust and control are inversely related. Thus low trust requires formal control and high trust allows for limited formal control. Trust and control are interlinked processes commonly seen as key to reach effectiveness in inter- and intraorganisational relations.

Lewis and Weigert (1985) characterise trust as a leap of faith where trust fills in the gap created by opportunism. Zand (1972) refers to trust as the increasing of one's vulnerabilities with an exchange partner in a situation where there is no control over the behaviour of the partner and the perceived costs of breaching trust are greater than the benefits of maintaining trust. For Hosmer (1995: 393), trust "is the reliance by one person, group, or firm upon a voluntarily accepted duty on the part of another person, group or firm to recognise and protect the rights and interests of all others engaged in a joint endeavour or economic exchange". For many researchers, the most relevant definition of trust is one party's confidence that their partner in the exchange relationship will not exploit its vulnerabilities (Ring and Van de Van 1992; Sabel 1993; Barney and Hansen 1994; Zaheer et al. 1998; Dyer and Chu 2003). In all instances described above, the common threads of the definitions of trust involve the recognition of vulnerability to opportunism, and the willingness to assume risk where *absolute* control over opportunistic behaviour is not possible.

While vulnerability and willingness to accept risk are required for trust, trust can occur in different forms. For example, Adobor (2006) provides the following "forms of trust":

a) *Deterrence based trust* - Actors act in a trustworthy manner because of the fear of the consequences of trust violation. The higher the penalty, the greater will be the probability that actors will be trustworthy.

b) *Knowledge based trust -* Repeated interactions lead to building of trust. Actors can predict the trust behaviour of their exchange partner after repeated exchanges (Sako 1992).

c) *Identification-based trust -* This kind of trust emerges from group membership of some sort. According to this view, compared to within-group members, non-group members will be less trusted. In this case, trust is conferred on the basis of group affiliation alone.

Dyadic trust - cognitive vs. affect based trust

Mayer et al. (1995) define dyadic trust as "the willingness of a party to be vulnerable to the actions of another party based on the expectation that the other will perform a particular action important to the trustor, irrespective of the ability to monitor or control that other party" (Mayer et al. 1995:172). There are two dimensions of dyadic or interpersonal trust. They are cognitive based trust and affect based trust (Lewis and Weigert 1985). As Costigan et al. (1998) explain, affect based trust involves deep emotional investment in a relationship. Cognitive based trust, in contrast, depends on observed actions based on which rational inferences can be made (Costigan et al. 1998).

Personal vs. Procedural trust

Gill and Butler (1996) explain the difference between personal and impersonal/procedural trust as follows. Personal trust is based upon the perceived reliability of the individuals to fulfill expectations. The development of personal trust derives from the networks to which the various partners belong and the interactions stemming from those memberships. In contrast, impersonal or procedural trust is based upon the perceived reliability of formalised systems and computations for making reliable decisions. Procedural trust is therefore based upon a coherent set of well understood rules of operation.

Institutional trust

Fox (1974) explains institutional trust as the employees' trust of the organisation's CEO and top management. Institutional or top management trust is less dyadic and more impersonal, unless the organisation has a relatively small number of employees. As Costigan et al. (1998) explain, trust of the CEO and top management is based more on decision outcomes made by the top management. Thus trust is driven more by efficiency and fairness of the organisation-wide systems created than by personal characteristics and behaviour of the CEO (McCauley and Kuhnert 1992). Thus CEOs have an important role in building up trust between different stake holder groups. Ingenhoff and Sommer (2010) in fact view organisations and CEOs as a *collective trustee.*

Dynamics of Trust

There are scholars that hold the position that trust is a diffuse topic that has little relevance to the study of organisations (Williamson 1985, 1991, 1993, 1996). Others have worked to demonstrate the importance of trust and to highlight the vital roles it plays in the operation of the firm (Gambetta 1988; Barney and

Hansen 1994; Zaheer et al. 1998; Dyer and Chu 2003). It has been pointed out in the literature that trust is a temporal phenomenon because it builds upon the experiences, perceptions, and interactions of the trustee (Caldwell and Clapham 2003). Lewicki et al. (2006) argue that most of the existing research on trust has taken a static, "snapshot" view; that is, it has approached trust as an independent, mediating, or dependent variable captured by measuring trust at a single point in time. Limited attention has been given to conceptualising and measuring trust development over time.

Simel (1964) makes the observation that there is no need to trust when an individual has total knowledge about the other party. Trust is also not a rational choice when an individual has no knowledge about another (Costigan et al. 1998). Thus, the decision to trust is rational when it falls somewhere in between the two extremes: no knowledge to total knowledge.

The concept of building or diminishing trust based on the actions of the transactors appears frequently in the trust literature. Cases such as those cited above have prompted scholars to propose a variety of models illustrating the evolution of trust over time. We discuss some of the studies that examine how trust may be gained and lost in organisations.

Robinson (1996) found that an employee's initial trust or distrust in his or her employer was negatively associated with a perceived breach in the psychological employment contract eighteen months later (Costigan et al. 2004). In a longitudinal study, Mayer and Davis (1999) found that adoption of a new *employee friendly* performance-evaluation process yielded increased employee trust ratings for top management over a fourteen-month time frame (Costigan et al. 2004). These results imply that it is possible for a firm's top management to influence employee impressions of upper-level management over *short* time-periods.

According to Hardin (2006), a trustee would want to maintain the ongoing relationship with the trustor "because it is not merely the present fulfillment that matters but also all that might come from [their] long-run future interactions" (Hardin 2006: 19). What matters is that the trustee acts in favor of the trustor's expectations.

Whitener (1997) found that increased trust is not contained to the dyadic supervisor-employee relationship, but it generalises into a deeper trust of and respect for the organisation as a whole (Costigan et al. 2004). It is also argued that trustworthy, competent decisions made by one's immediate supervisor may permeate upwards, leading to increased trust on the firm's upper-level management. The authors also make a valuable observation: "A core component of a leader's credibility is the constituent's perception of the leader's honesty. When leaders practice what they preach, one is more likely to entrust them with his or her career." (Costigan et al. 1998: 308)

McCauley and Kuhnert (1992) found that when an employee sees evidence of the supervisor providing opportunities for the employee's career growth/ professional development, it leads to higher level of trust between employee and the management.

Ingenhoff and Sommer (2010) examine how different dimensions of trust (i.e., ability, integrity, benevolence, and information quality) influence the degree of overall trust in a company and in CEOs. Interestingly, they note that the dimensions that influence trust in a CEO may be completely different to those influencing trust in companies. Trust in a company as a collective actor and in the CEO as a representative can be completely different. Their survey findings show that in Switzerland, companies are more trusted than CEOs. Also, the factors that influence overall trust differ between CEOs and companies. Social responsibility as a benevolence item is found to be important for both groups.

Also, since individuals seldom have direct, personal contact with a company and CEO, information from the media about the company or CEO is the basic source for building trust.

Other factors that seem to affect how trust is increased or decreased are i) frequency of interaction, and ii) reputation. Cognitive and affective based trust depends on frequency of interaction between the trustor and the trustee. When the trustor has no direct/previous experience with the trustee, reputation becomes an important factor. The trustor would assume that the trustee will act in a trustworthy manner to avoid losing his good reputation (Hardin 2006).

Trust Building and Diminishing Actions

A review of the literature supports the concept of trust as a dynamic process that ascends and descends through actions over time (Khazanchi and Masterson 2011; Deery et al. 2006; Montes and Irving 2008; Restubog, Hornsey, Bordia, and Esposo 2008; Hill, Bartol, Tesluk, and Langa 2009; Tomlinson and Mayer 2009; Giessner and Van Knippenberg 2008; Restubog et al. 2008). Further, the literature is replete with studies that characterise the actions that build and diminish trust (Johnson and Lord 2010; Dirks, Kim, Ferrin, and Cooper 2011; Grant and Sumanth 2009; Yakovleva, Reilly, and Werko 2010; Jap, Robertson, and Hamilton 2011). Multidisciplinary studies have identified social, psychological, economic, and structural determinants of trust (Desmet, De Cremer and Van Dijk 2011; Caldwell and Dixon 2010; Palanski and Yammarino 2009; Kalshoven, Den Hartog, and De Hoogh 2011; Van Dierendonck 2011; Caldwell, Hayes, and Long 2010; Colquitt, LePine, Piccolo, Zapata, and Rich 2012; Khazanchi and Masterson 2011; Li and Cropanzano 2009; Yang, Mossholder, and Peng 2009; Rubin, Bommer, and Bachrach 2010).

Prior research shows that trust emerges from repeated interactions between the actors (Powell 1996; Anderson and Narus 1990), through prior ties (Granovetter 1985; Gulati 1995; Uzzi 1996), when incentives exist for trustworthy behaviour

(Axelrod 1984) or because of the presence of institutional structures at the national or sector level that promote trust behaviour (Browning et al. 1995). Furthermore, studies have shown that trust is higher when transactors have had positive previous experiences (Kerler and Killough, 2009), are culturally similar (Jiang, Chua, Kotabe, and Murray 2011), are family members (Davis, Allen, and Hayes 2010; Cruz et al. 2010), and when a leader has a positive impression of a subordinate (Sy, 2010).

Whitener et al. (1998) enumerate the antecedents of managers' trust building behaviour which revolve around the organisational, relational, and individual factors. Applying principal agent theory to the manager-employee relationship, the manager can be considered to be the principal, and the employee to represent the agent. "The greater the amount of control and employee monitoring required by the organisational factors, the lesser the opportunity for managers to develop trustworthy behavior." (Chan 2003: 49)

Trust is a key factor in CEO - board relationships (Berger 1991). Hospital CEOs who set long-term strategy and business goals, communicate openly and honestly with their boards and work in partnership with their medical staffs meet the key expectations of trustees. In contrast, CEOs who ignore business objectives, circumvent their boards or alienate hospital constituencies eventually lose the trust and confidence of their boards. Trust is destroyed, for example, if the CEO fails to disclose appropriate board-level information, minimises problems or has private 'understandings' with other hospital constituencies without involving the board.

Gill and Butler (1996) argue that there can be cycles of trust and distrust in joint ventures. They contend that performance of joint-ventures depends on contextual variables where trust acts as an intermediate variable. They present two cases to demonstrate that trust and distrust may occur in cycles. One of the case studies involves decay of trust into distrust, and the other case study involves the successful building up of trustworthy relations within a joint-venture. In doing so, the authors explain the role of personal trust and its interaction with procedural trust. In one case, the termination of the joint-venture with a company called Autocloth followed a breakdown in the personal contact between the chief executives of the two parent companies. This led to a consequent reduction in reliance upon personal trust, leaving only the procedural trust based upon the terms of the contract. In the other joint venture, Unimarine, initial suspicion eventually turned into a high degree of personal trust with an apparent disregard for the contract.

Chan (2003) examines how corporate espionage leads companies to take high control security measures, which, in turn brings distrust in workplace. Managers therefore face a conflict: they have to deter espionage activities and simultaneously build trust in workplace. Fehr and List (2004) examine experimentally how CEOs respond to incentives and how they provide incentives in situations requiring trust and trustworthiness. Taking students as the control group, they compare the behaviour of CEOs. They find that CEOs are more trusting and exhibit more trustworthiness than students, thereby reaching higher levels of trust and efficiency. They also found that incentives based on explicit threats to penalise shirking tend to backfire by inducing less trustworthy behaviour. This is referred to as a *cost of incentive.* On the other hand, there are returns to incentives as well: if a principal expresses trust by voluntarily refraining from implementing the punishment, then the agent exhibits more trustworthiness than if the punishment threat is not available. In this sense, trust seems to reinforce trustworthy behaviour. Their experimental findings indicate that trustworthiness is highest if the threat to punish *is available but not used*, while it is lowest if the *threat to punish is used.* Therefore their findings indicate that *explicit* threats to sanction shirking may be perceived as hostility and lead to distrust. As a response to this hostile behaviour by the principal, the agents would increase shirking. On the other hand, refraining from use of available explicit threat may be perceived as a trusting act. Therefore a deliberate nonuse of threat begets trust.

Weber et al. (2005) explain why trustors, contrary to the prescriptions of the (dominant) rational choice approach, often engage in *large, seemingly irrational acts of trust and* when and why these acts, despite being tremendously risky, can be crucial to trust development. They build up a new *motivated attributions model* of trust development. Their model builds on two simple insights: that the parties in a potentially trusting relationship are likely to view their interaction differently and that their attributions of each other's behaviour will be self-servingly motivated. The model specifically focuses on the role of dependence in motivating attributions of trustworthiness, suggesting, for instance, that people ameliorate the anxiety associated with dependence by perceiving others as trustworthy.

Adobor (2006) argues that the nature and structure of exchange can affect trust. For example, how trust emerges in a joint venture may be different from how it emerges in an arms-length relationship. Uncertainty in an exchange situation will encourage partners to interact frequently as a way of reducing uncertainty, thereby creating the probability that trust will emerge.

Bstieler and Himmert (2007) develop and test a model of factors proposed to influence the formation of trust in R&D partnerships in the two different cultures of Austria and South Korea. Their findings indicate that that specific relational behaviours like communication quality, fairness, and unresolved conflicts impact trust formation and that national culture has a direct and a moderating effect on trust development. Specifically, communication quality and fairness have a positive effect and unresolved conflicts have a negative effect on the amount of trust developed. Overall, the impact of the three relational factors is much stronger than the direct and moderating influence of national culture in the R&D

partnerships studied, indicating that the relational elements of trust formation might be more universal than country specific.

Ferrin et al. (2007) argue that extant research has not adequately distinguished between one's own and the other's trust, monitoring, and cooperation. They explain this using an abstract example: party A may cooperate with party B because: (a) A trusts B (A has confidence that B has integrity and hence will behave cooperatively), (b) B trusts A (A wishes to honour B's trust by cooperating rather than competing), (c) A is monitoring B (therefore, A knows that B is behaving cooperatively), (d) B is monitoring A (therefore, A has little opportunity to benefit from competing), (e) A cooperated in the past (and A's behaviour has become habituated), and (f) B cooperated in the past (and A is now reciprocating B's behaviour). In this example, A's cooperation can be predicted by own and other's trust, own and other's monitoring, and own and other's past cooperation. Thus the authors argue that a more explicit distinction between *own* and *other's* trust, *own and other's* monitoring, and *own and other's* cooperation is critical for better understanding the relationships among trust, monitoring and cooperation.

Ferrin et al. (2008) argue that in dyadic trust, *it takes two to tango.* They examine the "spiraling" relationship of perceived trustworthiness and cooperation in interpersonal and intergroup relationships. In particular, they present three spiral reinforcement models that describe how mutual perceptions of trustworthiness and/or mutual cooperation may develop in dyadic interpersonal and intergroup relationships. They suggest that trust perceptions play a crucial mediating role in the development of cooperation in both interpersonal and intergroup interactions. Therefore it does take two to tango: the development of mutual trust and cooperation involves an intricate dance that spirals over time and is fundamentally affected by partners' initial moves.

In an interesting study, Mizrachi et al. (2007) examine the practice of trust in a multinational organisation amidst political conflict. Drawing on ethnographic research at a multinational corporation operating in a politically charged environment, they explore trust relations between Israeli and Jordanian managers in an Israeli-Jordanian industrial site. They find that trust, always tenuous in multinational collaboration, poses formidable challenges to this fragile relationship between former enemies. They compare trust relations during normalisation and political unrest under a natural experiment setup. Their study leads to an understanding of how different forms of trust change in response to a transformed political environment. They show how Jordanians and Israelis apply different forms of trust alternately and interchangeably, transcending cultural dichotomies such as tradition and modernity and deviating from presupposed developmental paths. Their "trust repertoires" approach depicts actors as knowledgeable agents who select, compose, and apply different forms of trust as part of their cultural repertoires. By applying forms of trust, actors demarcate the boundaries of their social relationships. At the same time, actors' strategies are inextricably intertwined with the power structure and political context.

Six and Sorge (2008) explore how organisational policies stimulate interpersonal trust building and eventually create high-trust organisations. They examine empirically how an organisation that deliberately enhances interpersonal trust to become a significant organisational phenomenon is different from a similar organisation without explicit trust enhancement policies. They use relational signaling theory, according to which trust is a function of consistently giving off signals that indicate credible concern to potential trustors. They studied two consulting organisations, with different trust policies but otherwise similar characteristics, focusing on the generation of trust and the handling of trouble when trust was threatened or destroyed. They find that a higher stage of trust can be reached by an inter-related set of policies: promoting a relationship-oriented culture, facilitation of unambiguous signaling, consistent induction training, creating opportunities for meeting informally, and the day-to-day management of competencies.

Optimal Trust

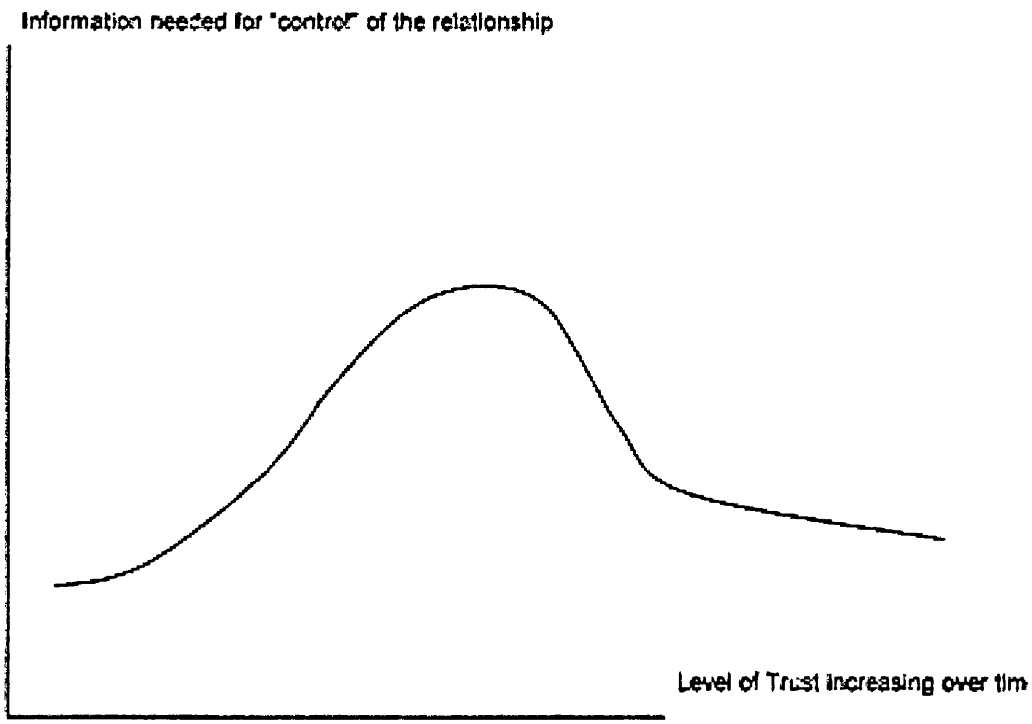
Optimal trust is a concept that has been explored by researchers for several decades (Horsburgh 1961; Wicks et al. 1999; Parkhe and Miller 2000; Davies and Rundall 2000; Jeffries and Reed 2000; Adler 2001; Malhotra and Murnighan 2003; Adobor 2006; Gargiulo and Ertug 2006). The first reference in the literature to the term "optimal trust" appears in the October 1961 volume of *Ethics.* Horsburgh (1961) proposes the existence of three levels of trust: minimal, optimal and optimific. Minimal trust refers to the minimal level of trust necessary for an objective to be achieved between agents. Optimal trust is the level that is most favourable or ideally justified for the objective to be met. According to Horsburgh's classification, whereas optimal trust refers to a focus on a single objective, optimific trust refers to the full breadth of objectives of an entire network or group – a macro set of objectives shared among many. He states that the optimal level of trust is rarely obvious, and that in defining it one must always correctly address the precise degree of trust necessary to fully realise the objective (Horsburgh 1961).

According to Wicks et al. (1999), "Optimal trust exists when one creates (and maintains) prudent economic relationships biased by a willingness to trust. That is, agents need to have stable and ongoing commitments to trust so that they share affect-based belief in moral character sufficient to make a leap of faith, but they should also exercise care in determining whom to trust, to what extent and in what capacity" (Wicks et al. 1999: 103). For Wicks et al., when trust and interdependence are equally matched (when there is a fit) then trust is at an optimal level for that relationship. Their notion of optimal trust is based on Aristotle's "golden mean", which describes the ideal point between excess and deficiency. Assuming the existence of an optimal level of trust, the authors also assert that it is possible to overinvest and underinvest in trust, which they describe as similar to excess and deficiency respectively. They point to Japan's guarantee of lifetime employment and Indonesia's crony capitalism practices as examples of overinvesting in trust. Overinvesting and underinvesting are activities that diminish the ability of transacting parties to reach optimal trust. In the case of Japan, a high level of investment in trust results in companies that are saddled with overwhelming long-term financial liabilities. The close trust networks in Indonesia block the creation of competing institutions that create strong viable economies. The authors also point to the problems of underinvesting in trust, where transacting parties unnecessarily create expensive safeguards against opportunism.

It is generally accepted that social structure assists or impedes economic performance. Uzzi (1996) examined the features, functions and sources of "embeddedness" using a data set on network ties among apparel firms in New York. He interviewed CEOs and management personnel involved in key aspects of business. The "embeddedness" argument offers a potential link between sociological and economic aspects of business behaviour. The moot point is that economic action is embedded in social relations. It refers to the process by which social relations shape economic actions. Uzzi's findings indicate that an organisation's network position, network structure, and embedded exchange relationship shape performance such that performance reaches a threshold as embeddedness increases. After the threshold, the positive effect of embeddedness reverses itself and may become negative. Uzzi explains this phenomenon by examining how firms link to their network partners. Firms that connect to their networks by embedded ties have a greater chance of survival than the firms that connect through arm's length ties. He continues, "The second component concerns the kind of network to which a firm links itself. In this case, a paradox appears: Optimal networks are not composed of either all embedded ties or all arm's length ties, but integrate the two" (Uzzi 1996: 694).

Ferrin et al. (2006) argue that within organisations, trust typically develops between individuals who are embedded in a complex web of existing and potential relationships. They identify three alternative ways in which a trustor and trustee may be linked to each other via third parties: network closure (linked via social interactions with third parties), trust transferability (linked via trusted third parties), and structural equivalence (linked via the similarity of their relationships with all potential third parties within the organisation). Each of these is argued to influence trust via a distinct social mechanism. If excessive trust is placed in the business partner, one may be taking too much risk. In this case, one of the partners might be acting naively such that the partner can take advantage. "If, on the other hand, there is little trust, but one still wishes to deal with the other party, there will be the need for more complete information about plans (what the other party intends to do), processes (how it is proposed to do it) and results (desired or unexpected ends obtained) coupled with appropriate sanctions for inappropriate behaviour" (Tomkins 2001: 166). Wicks et al. argue that there is an inverse relationship between the willingness to trust and the need for information.

Tomkins (2001) contends that while information and trust must be alternatives, the relationship between them is far from being a simple inverse one. Following Wicks et al., trust is contextually dependent on cultural and personal variables. According to Tomkins (2001) the contextual influence not only involves national and organisational cultures and personal propensities to trust, but also the stage of progression of the relationship. He argues that the functional association between trust and information is more likely to be characterised over the life cycle of a relationship by an inverted U-shape (Tomkins 2001), as shown below, rather than a monotonic inverse association between trust and information.



At an early stage of a relationship, commitments are usually less extensive and so the risks attached to breach of that commitment are lower than at later stages of the relationship. Hence, there will be a lower need for either trust or information as an uncertainty absorbing mechanism. Moreover, it is posited that, as the relationship matures from the initial state of low level of trust, there will be a positive association between trust and information simply because trust itself cannot be increased without further information. So, once one takes a dynamic view of a relationship, one sees that there is likely to be a *positive association* between information and trust at earlier stages of relationship development. As trust intensity becomes established at higher levels in later stages of the relationship, it is likely that less information will be needed to sustain that relationship. Hence a negative association arises at later stages of building trust (Tomkins 2001).

Rather than focusing solely on interdependence of transacting parties, Henry Adobor (2006) considered the importance of optimising uncertainty and its relationship to trust. His study of 191 biotechnology industry senior managers demonstrated that a minimal amount of uncertainty is necessary for trust to emerge. Beyond a certain limit, however, increases in uncertainty resulted in reduced trust. Adobor proposed a midrange between these two extremes of uncertainty that may represent an optimal level of trust in transactions. He refers to this midrange as a *zone of tolerance* (Adobor 2006), where parties have sufficient comfort and justification to carry out a transaction. For Adobor, levels of uncertainty that are both too low and too high will impede trust creation. His study also suggests that actors should approach trust from a perspective of strategic thinking. There are costs to creating trust and, unless it is determined that trust is important (reasonable levels of uncertainty), actors *should not* invest in trust creation. At the same time, beyond a certain level of uncertainty, it will be prudent to think of other control measures to reduce opportunism in an exchange relationship.

When uncertainty rises beyond a certain level, "actors may be tested beyond their limits and trust may begin to decline for a number of reasons. First, when uncertainty becomes too high, actors may be unwilling to take the leap of faith required to build trust. Individual hesitance may evolve into mutual suspicion and an unwillingness to make commitments to the relationship" (Adobor 2006: 543). He continues, "partners may resort to monitoring the relationship excessively under very high uncertainty conditions. Some monitoring is good for trust building, but too much of it will be counterproductive to trust building because excessive monitoring can create the impression that one is not trusted. Finally, under very high uncertainty, the risks may simply become too large, and the hazards of opportunism too great for actors to tolerate. The probability that trust will collapse, or at the least decline, is much greater under high uncertainty than under low uncertainty conditions for the same reasons" (Adobor 2006: 543). Thus he makes the following observation:

> "There is a curvilinear relationship between uncertainty and trust such that there is some optimal level beyond which higher uncertainty leads to lower levels of trust in an exchange." (Adobor 2006: 543)

According to Erdem (2003), trust within teams is a function of other team members' perceived ability, integrity and benevolence and the members' own propensity to trust. Also, trust is a required condition for teamwork. However, excessive trust can create risk for teams. As he explains, trust can lead to "groupthink" phenomenon. Under this phenomenon, the team members apply self-censorship of their own thoughts that may deviate from team consensus. Then the team may apply social pressure on team members who argue against the team's shared beliefs. Alternative thinking and decisions are not adequately discussed and thus wrong or ineffective decisions may be taken. Thus, as Erdem (2003: 230) puts it, "excessive trust and solidarity should be avoided; the goal is to seek and maintain an optimal level of trust". Over trust can lead to negative impact on behaviour and performance, particularly by inhibiting diversity of view and constructive dialogue. Thus for conditions where members work under extreme pressure (for example: military conditions) unconditional trust between members may be necessary. Such situations do not allow time for innovation and questioning, and team behaviour must follow prescribed patterns. However, for most teams, this constraint does not apply and this calls for optimal trust.

Optimal trust was also addressed by Gargiulo and Ertug (2006) in relation to what they term the *dark side of trust*. They propose an optimal level of trust that corresponds to certain benefits, where the benefits decline as trust becomes either insufficient or excessive. This is consistent with the trust paradox described in Chapter 5. Three negative consequences of excessive trust are explored, including blind faith, complacency and unnecessary obligations.

Implications of Optimal Trust

If there is an optimal level of trust then cost-benefit analysis may be used to attain the optimal level. As Tomkins (2001: 166) remarks, "… developing more reliable forms of trust and the cost of doing that is rarely considered in the cost-benefit analysis". Also, the very notion of optimal trust does not recognise that trust can exist without a calculative frame of mind. Certainly, trust can exist without specific probabilistic calculation and at the extreme it can occur on impulse. The adoption of a calculative perspective may also seem to ignore differing personal propensities to trust which obviously exist. Hence, despite their call for optimal assessment, Wicks et al. (1999) also state that although a rational cost benefit analysis is an important foundation for trust, it provides an insufficient basis for a complete understanding of it.

One implication of having "optimal trust" is that one must examine what leads to trust failure. Also, there should be a limit to trust creation (Adobor 2006).This is important because building trust involves cost. If the returns to trust decline or level off after a certain point then one must refrain from over investing in trust. Adobor (2006: 549) makes an interesting observation: "If some uncertainty is required for trust to emerge, but too much uncertainty will lead to a reduction in trust, then perhaps transaction cost economics may begin where relational theory, and trust in particular, ends. Thus, Williamson's (1985) proposition that contracts as a form of self-protection ought to be the governance mechanism of choice under high uncertainty may be valid."

Wicks et al. (1999) suggest that actors may over invest and under invest in trust. Since trust can be expensive in terms of time, resource input and unrequited trust, there is efficiency when people build trust to the extent that it is needed. They argue that "it is possible to both over and underinvest in trust, and neither is desirable from either a moral or strategic point of view. Firms that overinvest in trust – trust too much or invest in trusting relationships that have little value for the firm - may be misallocating precious resources and/or taking unnecessary risks that could have a substantial negative effect on firm performance. At the same time, firms that underinvest in trust - trust too little or do not invest in creating trusting relationships that have substantial value for the firm - may miss out on opportunities to create cost savings or develop organisational capabilities vital for the realisation of firm objectives" (Wicks et al.1999: 99). According to them, overinvestment in trust such as trust without monitoring may lead to theft by opportunistic employees.

Economic Impacts of Trust

Several authors have highlighted the importance of trust (for example, Barney and Hansen 1994; Creed and Miles 1996; Gambetta 1988; Golembiewski and McConkie 1975; Hosmer 1995; Kramer 1999; McCauley and Kuhnert 1992;

Michalos 1990; Reina and Reina 1999). Trust leads to incentives for cooperation, reduces uncertainty, and increases information exchange (Arrow 1974; Gambetta 1988; Gulati 1995; Powell 1996). Therefore, the higher the level of trust in relationships, the lower the costs of monitoring and other control mechanisms (Cummings and Bromiley 1996; Handy 1993). Trust and control are considered to be alternative routes for arriving at stable orders to which social actors can orient their behaviour (Gulati 1995). When trust is strong, less governance structures such as safeguards in transactions are needed to prevent opportunism, and, therefore, costs for the organisation decrease. Thus, trust leads to a competitive advantage (Barney and Hansen 1994; Sako 1998). On the other hand, there is also a significant literature examining distrust and the corresponding economic disadvantages developed from the works of Kramer (1998), Kramer (2002), Lewicki et al. (1998), and Sitkin and Roth (1993). This review considers literature that explores both the reported economic advantages of trust and the economic disadvantages of trust.

Trust promotes knowledge exchange (Golden and Raghuram 2010; Makela and Brewster 2009) and leads to improved feedback between leaders and employees (Hays and Williams 2011). Trust results in future cooperation (Rosanas 2008) and can lead to a willingness to make one-self vulnerable and assume risk when there is a sense of empowerment (Gao, Janssen, and Shi 2011). Economic benefits from trust are derived from increased organisational commitment (Farndale, Van Ruiten, Kelliher, and Hope-Hailey 2011), and fewer negative reactions by employees to change in the work environment (Oreg and Sverdlik

2011; Sonpar et al. 2009). Trusted partners have improved outcomes in negotiations, even when they contribute fewer resources than less-trusted partners (Fairchild 2011), and trust among transacting parties increases the likelihood that agreement terms will be implemented (Mislin et al. 2011). Trust has been found to decrease turnover, increase employees' positive identification with the company and increase general job satisfaction at all levels (Miner-Rubino and Reed 2010; Edwards and Cable 2009; Hansen, Dunford, Boss, Boss, and Angermeier 2011; Montes and Irving 2008; Lin 2010; Restubog et al. 2008).

Just 25 years ago Zucker (1986) pointed out that, for all its importance, trust has received little empirical investigation. At around the same time Williamson (1985) questioned why direct measures of transaction costs are rarely attempted. Less than three decades later the literature is replete with empirical studies of the economic effects of trust on the organisation. Far from covering every study in this area, the studies that follow are representative of empirical investigations of trust where particular emphasis is placed on transaction cost reductions associated with contracting and negotiating, and the sharing of information and resources. Additional literature was reviewed on the negative economic effects of violations of trust and mishandling trust repair.

Dyer (1997) studied automotive transaction relationships in Japan and the USA and found that high asset specificity does not always result in higher transaction costs, contrary to a primary assertion in Transaction Cost Economics. In studying firms in the two countries, Dyer concluded that Japanese firms enjoy lower transaction costs than their US counterparts (even though asset specificity is higher) because of 1) higher transaction repetition with a limited number of trusted suppliers, 2) higher volumes of exchanges, 3) increased information sharing (resulting in a reduction of asymmetric information), 4) the extensive use of noncontractual safeguards (consistent with goodwill trust [Sako 1998] and strong-form trust [Barney and Hansen 1994]), where shared values reduce the threat of opportunism and result in a long-term view of the relationship unconstrained by the defined timescales of a contract, and 5) greater investment in 'cospecialised' assets. This is also consistent with the conclusions of Barney and Hansen (1994) where seeking out and trading with a small number of highly trusted (strong-form trust) exchange partners may reduce transaction costs. If strong-form trust is present, the firms will be apt to exchange more often, at higher volumes, with a greater variety of objects of exchange, with less-costly noncontractual safeguards and long-term shared objectives resulting in shared investment in assets associated with current and future exchanges. Dyer acknowledges that the set-up costs for building goodwill trust may be higher initially (Sako 1992), but suggests there may be lower maintenance costs resulting in a decline of transaction costs over time. This study demonstrates an inverse relationship between trust and transaction costs - as trust increases, transaction costs decrease, and as trust decreases, transaction costs increase. Dyer summarises his comparative findings as follows:

> "Japanese automotive transactors minimize transaction costs by minimizing search, contracting, monitoring, and enforcement costs over the long-term. They do this by controlling opportunism in the exchange relationships through self-enforcing safeguards rather than legal contracts. Conversely, U.S. automakers recontract with an ever-changing line-up of suppliers and thus continue to incur considerable search and contracting costs. While a legal contract may minimize transaction costs in the short run, the safeguards used in Japanese alliances result in lower transaction costs over the long run." (Dyer 1997)

Dyer presumes that each of five propositions above have distinct value, but states that to realise the full benefit of reduced transaction costs may require that these propositions be exercised in combination. This infers that the interrelations of the correlated and mutually reinforcing propositions result in a condition where the whole may be greater than the sum of the parts.

Although Dyer's conclusions are promising, there is not enough attention paid to the costs of building trust and the role of reciprocal causality in the exchange relationships. Whereas trust may reduce transaction costs over the long term, it may be that the investment made to build trust will never pay-off. Among other measures, companies rely on return on investment (ROI) schedules to determine whether or not an investment makes good business sense. If the investment in building trust is too high, it could take too long to achieve a suitable ROI, thus building trust could be a bad investment. Similarly, there may be certain exchange relationships that benefit from constant turnover of exchange partners, that is, where the reductions associated with a regular bid process and supplier change is the most efficient strategy for reducing costs and building competitive advantage. Regarding increased information sharing and its potential benefits, Dyer fails to address the possibility of reciprocal causality. Does building trust result in increased information sharing, or does increased information sharing result in the building of trust? In principle, there could be a cyclical relationship between the two as well. Moreover, information could be shared under severe contractual terms fraught with penalties that might actually diminish trust over time and lead to more costly transactions.

Development of personal trust requires intensive social interaction and an organising 'set-up' cost may be involved (Gill and Butler 1996). Social exchange involves a long term process starting with minor exchanges whereby actors test each other before moving to bigger transactions (Shapiro 1988; Blau 1964). Clear communication between transacting parties is key to developing trust, where face-to-face interactions initially build a stronger trust compared to other forms of communication such as on-line interactions (Hill et al. 2009; Murrell, Blake-Beard, Porter, and Perkins-Williamson 2008). Studies have found the quality of communication (Stahl et al. 2011) and common courtesy during interactions (Gullett et al. 2009) increase trust as well. Other minor interactions and characteristics that have been found to build trust include making oneself accessible (Cameron and Webster 2011), engaging in small talk (Mislin, Campagna, and Bottom 2011), referencing one another's points of view in conversation (Cameron and Webster 2011), gift exchange (Dolfsma, Van der Eijk, and Jolink 2009), and information sharing (Nguyen and Rose 2009). Transparent communication with employees promotes trust in executive leadership (Norman, Avolio, and Luthans 2010), as does displaying emotion when communicating (Gardner, Fischer, and Hunt 2009).

Zaheer et al. (1998) studied a sample of 107 buyer-supplier interfirm relationships and found that trust in interorganisational exchange has a significant direct effect on performance. Several key findings emerged from their research. First, the more a supplier representative is trusted by the buyer, the more the supplier's organisation is trusted. There is a direct transference of trust in the individual to trust in the larger organisation, although the authors recognise that interpersonal trust is not necessarily a proxy for interorganisational trust in every instance. Presumably the opposite is true as well – distrust in the individual will result in distrust of the organisation, although not in every case. Second, the researchers found that interorganisational trust is strongly associated with lower negotiation and conflict costs. This finding leads them to the conclusion that the effects of trust are different in the interorganisational and interpersonal contexts, yet when combined yield reduced transaction costs. The higher the interorganisational trust, the easier the negotiations and fewer the conflicts. They assert that organisations in exchange relationships may enjoy competitive advantages from relationships with high levels of organisational trust (Zaheer et al. 1998). In short, their findings support the notion that interorganisational trust acts to smooth negotiations and therefore reduces the costs of interorganisational exchange. Interpersonal trust also plays an important but secondary role in the reduction of negotiation costs. Interorganisational trust and interpersonal trust are inextricably linked, and take on crucial roles in exchange relationships that transcend formal governance structures such as contracts. Zaheer et al.'s (1998) suggestion for future research is the request for more in-depth case studies to enhance the understanding of how interorganisational trust builds over time.

In a related study on supplier-customer dyads, Bradford et al. (2009) find that developing strong trust-based relationships with customers is increasingly important in the business-to business marketplace. They examine how suppliers affect trust with their customers and find evidence that salesperson job satisfaction is related to customer-focused helping behaviour. Also, perceived customer importance interacts with salesperson job satisfaction to positively affect customer-focused helping behaviour, and ultimately customer-focused helping behaviour is related to customer trust in the supplier.

Robson et al. (2008) contend that elucidating the nature of a trust-performance link in international strategic alliances is challenging. Findings evident in existing alliance research raise concerns that inter-partner trust *does not* always enhance venture performance. The authors focus on the social and bureaucratic forces that are critical in international joint ventures. The results suggest that, while inter-partner trust is positively associated with alliance performance, this relationship becomes stronger when alliance size declines. They find that distributive fairness and partner similarity are central to the achievement of a trusting alliance partnership.

Dyer and Chu (2003) studied 344 supplier-automaker relationships in the United States, Japan and Korea to investigate the impact supplier trust in buyers has on transaction costs and information sharing. Specifically, they wanted to discover whether high levels of supplier trust in a buyer results in lower transaction costs, greater information sharing, and better performance. The study demonstrated a link between high trustworthiness and low transaction costs, and low transaction costs and improved performance (profitability), thereby suggesting that a reputation for trustworthiness improves performance. The researchers divided transaction activities and costs into ex-ante (search and contract related) and ex-post (monitoring and enforcement related) activities. It was discovered that the least-trusted automaker spent more of its face-to-face interaction time with suppliers on contracting and haggling compared to the most trusted automaker. This study also found that procurement costs were five times higher for the least trusted automaker (Dyer and Chu 2003).

In addition, the researchers found that trust was positively correlated with information sharing in that higher levels of information sharing led to higher levels of trust. The authors assert that this makes trust unique as a governance mechanism because the investments that trading partners make to build trust can simultaneously create economic value beyond lowering transactions costs in the exchange relationship (Dyer and Chu 2003). This finding is consistent with Zaheer et al. (1998) where it was demonstrated that the link between interorganisational trust and exchange performance is due in part to the mutual cooperative exploration of new information, technologies, opportunities, and product and process innovations. The authors were careful by limiting the relevance of their findings to industrial settings where transaction costs are high due to environmental uncertainty and high asset specificity, and where a premium is placed on information sharing due to the complex nature of the undertaking. They list industry examples such as aircraft manufacture, robotics, and supercomputers.

Uzzi (1996) found that "embedded" ties perform unique functions and have three features: a) trust, b) information transfer and c) joint problem solving. Trust acts as the governance mechanism of embedded relationships. It facilitates exchange of resources and information that are difficult to value and transfer via market ties. As one of the interviewees remarked, "Trust means he's not going to find a way to take advantage of me. You are not selfish for your ownself. The company and partnership (between firms) comes first" (Uzzi 1996: 678). Trust facilitates exchanges and invites the receiving partner to reciprocate when a new situation arises. Trust increases an organisation's access to resources and strengthens its ability to adapt to unforeseen problems. This would be rather difficult to achieve through arm's length transactions that are impersonal and calculative.

Uzzi's findings indicate that the economic relationship develops into ongoing embedded ties in stages. It begins with a stock of trust appropriated from a preexisting social relation. The stock of trust forms a basis of future commitments. Reciprocal exchanges eventually lead to concrete trust in the relationship. In contrast, the calculative arm's length relationship fades and is replaced with a heuristic decision making process. Formation of trust also leads to fine-grained information transfer between the parties. This kind of exchange in information would be unlikely in the absence of trust since that might lead to opportunistic behaviour.

Dirks and Ferrin (2001) explore *how* trust leads to benefits for organisations. The model that has dominated the literature says that trust results in direct (main) effects: Higher levels of trust are expected to result in more positive attitudes, higher levels of cooperation (and other forms of workplace behaviour), and superior levels of performance. They develop an alternative model: Trust facilitates or hinders (i.e., moderates) the effects of *other determinants* on attitudinal, perceptual, behavioural and performance outcomes via two distinct perceptual processes.

They examined the effect of interpersonal trust on individuals' workplace-relevant attitudes and behaviour. The basic idea behind the *main effect* model is that higher level of trust in a work partner leads to direct effects. It increases the likelihood that one will take a risk with the partner (for example: cooperate, share information) and also increases the amount of risk that is assumed. In social units such as work groups, these behaviours (cooperation and information sharing) would lead to higher unit performance.

In contrast to the *main effect*, they provide a model of the "moderating effect" of trust. Since trust involves an individual's understanding of a relationship, they argue that trust leads to two distinct processes through which it fosters or inhibits positive outcomes in the relationship. First, trust affects how one assesses the future behaviour of another party with whom one is interdependent. Second, trust also affects how one interprets the past (or present) actions of the other party, and the motives underlying the actions. Thus, in the moderating effect model, trust does not have a direct causal role on outcomes. Instead, trust moderates the effects of primary (causal) factors. For example, trust, instead of directly causing risk-taking behaviours, may influence the extent to which a motivation for engaging in risk-taking behaviours is likely to lead to risk-taking behaviours. Understanding how trust leads to organisational benefits can lead to better ways of using trust as a managerial intervention. Thus trust provides the conditions under which economic benefits such as improved cooperation, higher performance, positive attitudes and perceptions are likely to occur.

Distrust of a firm's CEO and top management could lead to loss of investor confidence, weaken employee confidence and undermine organisational performance, resulting in economic harm. Therefore trust on the top-management and organisational productivity is interrelated (Costigan et al. 2004). As they rightly point out, since employee trust in the firm's top management is critical to the firm's performance, *identifying its predictors* should prove useful. Understanding the antecedents of employee trust in the CEO enables the firm to take appropriate measures in managing trust levels of the CEO and top management. This observation resonates with Chapter 5 of this thesis, where we found that CEOs put importance on the factors that increase or decrease trust in organisation.

Costigan et al. (1998) looks at workplace trust using a multidimensional approach. In particular, they examine trust from a horizontal perspective (i.e. trust among co-workers) as well as a vertical perspective (i.e. trust of both the supervisor and top management). They studied 35 full time employees to test several hypotheses related to trust among focal employees, their co-workers, supervisors and top management. Reciprocal measures of two types of trust were obtained for each of the dyads.

Organisations often rely on self-managed teams. This bestowing of empowerment requires management to trust the work force. Conversely, employees express trust in managers and co-workers by accepting these additional work roles. Thus, "Team based organizations are anticipated to outperform from traditional bureaucratic structures when it comes to producing quantity and quality, making adaptive changes, and developing employees" (Costigan et al. 1998: 303).

Their findings indicate that high performance teams are characterised by high mutual trust among members. Trust in the organisation enables employees to surface their ideas and feelings, use each other as resources and learn together. In contrast, without trust, members in organisations tend to assume self-protective, defensive postures that may inhibit learning. The amount of trust has an effect on the performance of teams and on the economic performance of the organisation.

"For most employees, the decision to trust top management is based more on the outcomes of organizational decisions made by these top managers and less on direct personal experience of their character, words, and actions" (Costigan et al. 1998: 304).

Dyadic or interpersonal trust has both cognitive and affective components. Cognitive components refer to the rational decision to trust or withhold trust. This decision is based on reasoning, such as responsibility, dependability, competence, etc. and provides evidence of trustworthiness. The key to this reasoning is that it is based on measurable, objective criteria. For example: *the worker completes the assignment on time*. Clearly, the trustor can observe this and make rational inferences on trustworthiness of the trustee.

Both cognitive based trust and affect based trust are determinants of work place behaviour and work performance. Costigan et al. (1998) examine the effect of trust on different aspects of workplace behaviour by studying a) risk taking, b) motivation/willingness to perform and c) assertiveness. In general, the results seem to indicate that affect based trust may have a more powerful presence in organisations while cognitive based trust may have more of a superficial influence.

Janowicz-Panjaitan and Krishnan (2009) examine how partners in an interorganisational relationship can repair violated trust, and if that is impossible, how they can preserve the collaborative relationship. They propose that the effectiveness of legalistic and non-legalistic measures in response to a trust violation is a function of the hierarchical level at which the violation occurred (corporate vs. operating), the character of the violation (competence vs. integrity), the frequency and severity with which it occurred, the organisational context in which boundary spanners are embedded, and the degree of dependence between the partners. How violation of trust is dealt with at one hierarchical level might affect trust at the other level. Violations of trust can have a negative impact on employee performance and the economic performance of the firm. This study suggests a trickle down affect where the poor handling of a trust violation at the senior level can negatively impact trust levels throughout the organisation.

Gillespie and Dietz (2009) propose a systemic, multilevel framework for understanding trust repair at the organisational level. They explain how different components of an organisation's system shape employees' perceptions of the organisation's trustworthiness and can contribute to failures and effective trust repair.

On a similar note, Kim et al. (2009) examine the repair of trust using a dynamic bilateral perspective and multicultural conceptualisation. They find that the cognitive and interpersonal processes are used by people to resolve differences in their interpersonal beliefs. The loss of trust resulting from malfunctioning products can be repaired when the consumers' perception of corporate ability is high (Lin, Chen, Chiu, and Lee 2011) and a quick and appropriate response to failure is implemented (De Cremer, Tenbrunsel, and Van Dijke 2010). A strong perception of corporate social responsibility also increases stakeholders' trust in organisations (Lin et al. 2011; Stanaland, Lwin, and Murphy 2011; Bhattacharya, Korschun, and Sen 2009; Castaldo, Perrini, Misani, and Tencati, 2009; Du, Bhattacharya, and Sen 2011), as does a commitment to workplace diversity

(Stahl, Larsson, Kremershof, and Sitkin 2011), and a willingness to discuss ethical issues (Trapp 2011). Half-hearted attempts at corporate social responsibility initiatives decrease trust (Jahdi and Acikdilli 2009).

The empirical research conducted to date points to certain actions that are consistent with a trusting relationship, and the literature describes some proposed outcomes that have potential economic advantages for exchange partners. The literature also describes activities that diminish trust and have a negative impact on the economic functioning of the organisation. The studies above are representative of many empirical studies of trust where particular emphasis is placed on transaction cost reductions associated with contracting and negotiating, and the sharing of information and resources.

Metaphors and Trust

Metaphors provide deep insights into how we conceive, perceive and communicate complex ideas; they are not simply linguistic phenomena, but rather a conceptual and experiential process that structures our world (Su 2002). The use of metaphors is one of the most important linguistic devices that reflect cognitive vision, and we think increasingly by means of metaphors (Su 2002).

Metaphors have been a subject of inquiry for researchers for decades. Studies have been conducted looking into metaphors and organisational change (Palmer 1996), cognition (Ricouer 1978), motivation (Sweetser 1992), intention

(McCloskey 1964; Harries 1978), comprehension (Shen 1992), meaning (Davidson 1978), teamwork (Gibson 2001), structures (Samples 1978), organisational turbulence (Polley 1997), categorisation (Shen 1992), decision making (Meyer 1984), economics (Wyatt 2004), psychology (Swanson 1978), beliefs (Sandor 1986), and social science (Rosenthal 1982).

Lakoff and Johnson (2003) found that the use of metaphors is common in everyday life. In fact, the very way that we think about the world around us is metaphorical in nature. Take, for example, some common phrases such as "I'll jump right on that" or "I'll run it right over". Both terms are action metaphors intended to convey that there will be immediate attention given. In this case, the notion of covering a distance rapidly is employed to give the impression that something will be handled quickly and efficiently. In reality, of course, it is highly unlikely that the individual employing the metaphor intends to literally "jump right on" something, or that they intend to "run" to deliver a package. According to Lakoff and Johnson (2003), a metaphor is understanding and experiencing one thing in terms of another. Conveying and understanding rapidity of action by using terms such as "jump" and "run" allows for the experience of one thing in terms of another. "The maker of metaphors is this craftsman with verbal skill who, from an inconsistent utterance for a literal interpretation, draws a significant utterance for a new interpretation which deserves to be called metaphorical because it generates the metaphor not only as deviant but as acceptable. In other words, metaphorical meaning does not merely consist of a semantic clash but of the new predicative meaning which emerges from the collapse of the literal meaning, that is, from the collapse of the meaning which obtains if we rely only on the common or usual lexical values of our words. The metaphor is not the enigma but the solution of the enigma." (Ricouer 1978: 146)

For those that are interested in metaphor usage and categorisation, the "jump" and "run" examples would probably fall into a spatial category, as action and distance are being used to convey an idea. Shen (1992) conducted a study that examined the fields of metaphor usage and categorisation. According to Shen, metaphors don't necessarily fit into common or stable categories as proposed by Aristotle, or even the prototypical categories described by Lakoff (2003). To properly categorise metaphors and their structure and comprehension, Shen suggests a less stable *ad hoc* category to expand the possibility of connection between and understanding of one thing in terms of another. This is necessary to allow for categorisation of more loosely associated metaphors. A characteristic of metaphors is some asymmetry exhibited by the comparisons with sufficient higher order causal relationships that provide an aptness to the comparison. An example is *a psychiatrist is like a crutch*. In literal terms, a human psychiatrist with a medical degree is nothing like a metal object with poles extending from the ground to the underarm. The asymmetry of the compared elements is well established at one categorical level, but there is also a sufficient higher order relevance to the comparison that makes it valid. At a higher level, a crutch is used for stability, and it can be inferred, that for some, the psychiatrist can provide stability (but not a cure) as well. In that sense, the asymmetry is complimented by a higher order relationship that results in an aptness of the metaphor and relevance to the understanding of a particular situation or condition. Carried further, the order in which the elements are presented also helps determine the aptness of the metaphor. Stating that *a psychiatrist is like a crutch* makes more sense than stating that *a crutch is like a psychiatrist.* According to Shen (1992), the second element in the comparison therefore needs to be a prototypical or common member that grounds the metaphor. This makes the metaphor easier to comprehend and prevents the metaphor from being reduced to absurdity (Rosenthal 1982).

Researchers often see the process of narrative as an essential feature of human interaction, placing emphasis on the development of meaning rather than judging truth through the interview process (Bailey and Tilley 2002; Dexter 1970).

In her studies on Nobel laureates, Zuckerman (1972) found that *technical language* was avoided by the interviewees. This was particularly true in the early phase of most interviews where the laureates were trying to avoid language that the interviewer might not understand.

In the current study, executives used metaphors throughout their interviews to convey meaning that otherwise might not have been properly understood or easily comprehended. As presented herein, I am adhering to the assertion that a metaphor is likely to convey complex meaning best comprehended alongside a rich understanding of the context (Gibson 2001). Therefore, like many researchers exploring metaphor usage and categorisation, the metaphors are presented within context in the Appendix so they may be comprehended with a richer understanding.

Given the reported importance of metaphors to understanding how we think about complex subjects (Su 2002), a part of this thesis is dedicated to presenting the metaphors used by the executives to discuss trust, exploring the potential significance and meaning underlying their use, and perhaps providing a novel approach to gaining a better understanding of how these senior executives think about trust.

Chapter 3 that follows describes the study methodology and provides the rationale for using grounded theory to analyse the semi-structures interviews in this study.

CHAPTER 3: Study Methodology

Grounded Theory

What is grounded theory?

This study reports on data gleaned from thirteen semi-structured interviews with senior executives of corporations. Grounded theory was used to analyse data gathered from two rounds of executive interviews. According to Willig (2008: 35), "grounded theory is both the process of category identification and integration (as *method*) and its product (as *theory*)." Grounded theorists do not begin with a theory and then attempt to prove it through collecting data. Instead, the researcher starts with an area of study and allows the theory to *emerge* from the data.

Traditional grounded theory analysis steps were followed, including the structured categorisation of content called coding. According to Flick (2009: 435-436), these steps require the researcher to start with open coding followed by a more structured and selective coding, which forms the categories and subcategories. Coding is the process whereby data is categorised to assist in analysis. If the coding process raises additional questions that can only be addressed with new categories, it may be necessary to return to open coding. Coding ends at a point of theoretical saturation where additional coding does not lead to additional insights. The practice of research using grounded theory integrates all these steps until the researcher can explain the phenomena in which (s)he is interested.

Why Grounded Theory is appropriate for this study

Grounded theory was employed to analyse the data because it provided sufficient freedom to allow for new theories to emerge from the semi-structured interviews. This is an appropriate approach particularly because,

> The aim of grounded theory analysis is to produce theories that are truly grounded in the data; that is, theories that do not depend on external concepts that are brought to the data by the researcher. Grounded theory has a realist orientation. The type of knowledge grounded theory aims to produce is knowledge of processes that reside in the data and can emerge from the data (with a little help from the researcher). Categorizing and theorizing are simply ways in which these processes are systematically presented to the readership by the researcher (Willig 2008: 48).

The full version of grounded theory analysis was used instead of the abbreviated version (Willig 2008: 39) as it allows the researcher to collect data, explore the data through open coding, establish initial linkages between categories, and then return to the field to collect additional data. This is compared to the abbreviated version of grounded theory where researchers limit their analysis to the original data set and cannot return to the field for additional data gathering. As such, the abbreviated version of grounded theory was not appropriate for this study. In the full version, the researcher may triangulate – or draw on different data sources and use different methods of data collection. "The full version allows the researcher to push outwards, to seek out manifestations of categories, negative cases and opposites, until category development is dense, detailed and differentiated. This gives the researcher confidence that theoretical saturation is being approached" (Willig 2008: 39). In the case of the first round of interviews in the present study, theoretical saturation was approached when the executive responses from later interviews added little new information to the data gleaned from the earlier interviews. After analysing the data and reflecting on the findings, it became clear that saturation had been reached with some concepts, but not with others, and that it would be necessary to conduct a second round of interviews to gain a better understanding of all key concepts. This is consistent with the tradition of grounded theory in that, unlike most other research methods, it merges the processes of data collection and analysis. The researcher moves back and forth between the two in an attempt to ground the analysis in the data (Willig 2008: 37).

Limitations of Grounded Theory

Of course, grounded theory is not without its critics. My contribution here is not a new methodology, but it is appropriate to acknowledge some of the shortcomings of grounded theory described in the literature. Some grounded theorists argue that a literature review should not be conducted until after the research has been completed because it may 'contaminate' the researcher's perceptions. However, according to Willig (2008: 41), a systematic review of the literature is unlikely to contaminate grounded theory research, and may actually help formulate useful research questions that have not been asked before in the same way. This was the case with my research experience – finding the senior executive trust perception gap and formulating the research topic only came after an initial review of the literature.

Additional criticism of grounded theory has been posited by Melia (1996: 376 in Willig 2008: 44).He argues that the coding procedures and general rigidity associated with the grounded theory method are not sufficiently flexible to allow for an open expression of and response to data. As he puts it, "I always have a nagging doubt that the procedures are getting in the way; the technical tail is beginning to wag the theoretical dog" (Melia 1996: 376 in Willig 2008: 44). Another concern is that grounded theory, being based on induction, does not adequately address questions of reflexivity. Following grounded theory, the codes for the present study were extracted inductively from the data. According to Willig (2006:46), "One of the problems associated with induction is that it pays insufficient attention to the role of the researcher. It is assumed that the data speaks for itself. Critics of positivism have argued that all observations are made from a particular perspective. Whatever emerges from a field through observation depends on the observer's position within it. In the same way, whatever emerges from the analysis of a set of data is theoretically informed because all analysis is necessarily guided by the questions asked by the researcher." An attempt has been made to address these criticisms and concerns throughout the research process by taking the advice of Pidgeon and

Henwood (1997) and acknowledging here and throughout this thesis the ways in which the researcher's own experience, assumptions and values may have shaped the research.

How grounded theory was employed in this study

Semi-structured interviews using open-ended questions were chosen because, as Berry (2002: 682) puts it, "for projects where depth, context, or the historical record is at the heart of data collection, elite interviewing using broad, open-ended questioning might be the best choice." Thirteen corporate executives were selected for of interviews. They were asked to answer questions during a semi-structured interview, and a significant number of probing questions were asked to clarify statements. The number of interviews was not predetermined as it was unclear at the outset how many additional interviews would be necessary to reach theoretical saturation. This is one of the tenets of grounded theory – one cannot go in with preconceived notions of the outcome – the theory will emerge, grounded in the data. Finally, although the senior executives represent corporations from different industry classifications and operate in diverse locations, all the corporations are headquartered in the United Kingdom or United States of America.

Methodology: Elite Interviewing

Elite interviewing is a specialised case in the social sciences that is recognised as unique from other interview formats (Marshall and Rossman 1995). At the same time, elite interviewing is a widely used research tool that can provide valuable information from the individuals responsible for leading organisations. Interviews have been done on corporate (Kincaid and Bright 1957), political (Peabody et al. 1990) and professional elites (for example: Nobel Laureates in science by Zuckerman 1972). Given the special nature of elite interviewing, it is appropriate to review the methodological implications of interviewing elites.

In conducting and analysing the interviews, it was not assumed that executive perceptions were always right. David Silverman (2001) points out that what the interviewee thinks is important may not be the most interesting data to come from the interviews. Silverman provides the following guidance for conducting qualitative research, providing insight that was important for this study:

- avoid the assumption that research is only worthy if it reveals what is hidden or secret;
- recognise that what is sometimes of most interest is what is considered unremarkable to participants;
- avoid comparing what people say and what we (think we) know about what they do; and

- understand that experience is not more or less authentic but rather is narrated in ways that are open to further investigation.

Because the interview format stresses the interviewee's self-reports the interviewee is encouraged to structure accounts and introduce his or her ideas of what is most important instead of relying on the interviewer's perceptions of importance. Elite interviews are different in that the goal is to elicit subjective perceptions based on specialised knowledge that the interviewee possesses (Dexter 1970). Different interpretations are seen as valuable, and the process is more open-ended than focused interviews, allowing the interviewee to discuss his or her specific definitions, structures and perceptions of relevant data related to the topic (Odendahl and Shaw 2002). The assumption is that elite interviewees will probably have a different perspective to those held by a more general population, and it is important to glean their self-reports to better understand the dynamics of situations (Wax 1971; Whyte 1984). Marshall and Rossman (1995) point out that the elite interviewee has an overall view of the organisation and its relationship to other organisations, as well as a high degree of familiarity with the legal and financial structures, policies, history, and future plans of the organisation. They state,

> "In working with elites, great demands are placed on the ability of the interviewer, who must establish competence by displaying a thorough knowledge of the topic or, lacking such knowledge, by projecting an

accurate conceptualisation of the problem through shrewd questioning. The interviewer's hard work usually pays off, however, in the quality of information obtained. Elites often contribute insight and meaning to the interview process because they are intelligent and quick-thinking people, at home in the realm of ideas, policies, and generalisations" (Marshall and Rossman 1995: 84).

Special consideration was given to access (time with business elites was often difficult to schedule), interview preparation (few notes and semi-structured interviews were most appropriate), and confidentiality where appropriate which is especially important to high-profile subjects (Odendahl and Shaw 2002). In the present study, the first set of executives approved the use of their names and organisations for the purposes of this study. The second set of executives was told that their names and companies would remain confidential.

Several important studies have been conducted using elite interviews. Some of those studies will be briefly discussed here with the aim of understanding the problems and benefits of using elite interviews.

Zuckerman (1972) interviewed 41 Nobel Laureates in the United States. The high percentage of responses is in contrast to the problem of access encountered when interviewing elites (Aberbach and Rockman 2002). While arranging for the interviews, she had specified her academic affiliation and sponsorship from the National Science Foundation. In addition, she further legitimised the study and her credentials by including some of the names of the other laureates who had already been interviewed. This technique is called *snowball/chain-referral sampling.* This technique was used in the current study in that an initial respondent identified other respondents that eventually became participants in this study. Her experience suggests that, if pieces of information are included in the interview that are not widely known or are unique, it can lead to engaging discussion. Her study also points out that it may be important to vary the questions when interviewing elites. She found that laureates detected whether questions were standardised or tailored to their interest and histories. They resented being encased in the straightjacket of standardised questions. Moreover, since there was no intent to use the interviews as a source of quantitative analysis but rather qualitative research, Zuckerman used a semi-structured interview technique that did not attempt to make interviews strictly comparable by always using the same questions. This aspect of elite interviewing guidance was taken into consideration while conducting the interviews for this thesis in that probing questions were used when appropriate to allow for a dynamic dialogue to evolve based on participant responses to the semi-structured interview questions.

Smigel (1958) interviewed Wall Street lawyers employed at large law firms. He wanted to determine the social structure of large firms and how their size and organisation affects the people employed there. Since the research was related to the elites' viewpoints of their own organisation, this led at some points to a problem. Many lawyers were at first reluctant to talk about their own firms. They were either members (partners) of the firm and felt strongly about team responsibility or employees (associates) and were unsure of how much the firm wanted them to say and how their words might affect them. Smigel was able to win their confidence and assure them that their responses would not be disclosed to management. Similar precautions were taken in the present study. The first group of executives were satisfied that the research was being conducted for academic purposes only and they were comfortable that their names and backgrounds would be presented in the thesis. The second group of executives was told that their names would remain anonymous and that only vague descriptions of their organisations would be used. Even with anonymity, it is acknowledged that the participants may still have felt people might discover their identities and therefore they may have presented themselves in a way that they wanted to be perceived.

The ideas promoted by elite actors can have a profound effect on companies, industries and economies. Desmond (2004) studied a small sample of elites in Ireland who had influenced and shaped the country's Technology Foresight Initiative that endorsed the public support of biotechnology research and development. The chosen group of elites advised on matters of regulation and policy while also advising the biotechnology industry. The group was made up of five individuals who contributed significantly to scientific policy and industrial development of the emerging biotechnology sector in Ireland. Like the group of executives studied here, because of their elite status, this group (although small) affected a great number of people through their decisions.

Several empirical works on policymaking in Washington have been carried out using elite interviews. Aberbach and Rockman (2002), for instance, studied bureaucratic elites. They examined the political thinking of American administrators and Members of the United States Congress. In particular, they studied elite attitudes, values, and beliefs. Their objective was to examine important parameters that guide elites' definitions of problems and their responses to them. Elite interviews are generally conducted with open-ended questions that allow the respondents to engage in wide-ranging discussions (Aberbach and Rockman 2002). Typically, researchers use a semi-structured interview approach in which the open-ended questions give the participants sufficient latitude to fully respond to questions (Aberbach and Rockman 2002). The authors stress that semi-structured interviews require great attention from the interviewer since such an interview has a more conversational quality to it than the typical highly structured interview, and questions may be broached in a manner that does not follow the exact order of the original interview instrument. They also point out that using a semi-structured format has the advantages of conversational flow and depth of response that tend to outweigh the disadvantages of inconsistent ordering. However, closed ended questions may be preferred if there is a high degree of prior research on the subject. As

Aberbach and Rockman (2002) point out, the more that is known, the easier it would be to use closed ended questions. Kincaid and Bright (1957) argue that problems critical to the organisation can be approached only through personal interviews with the business elite. They point to the example of the relationship between business expectations and decision-making. It is not suggested here that the role of trust in the organisation can only be approached through interviews with elites, but rather, adding their viewpoints to the wider discussion of trust through in-depth interviews might improve our understanding of trust in the organisation. In the present study, given the dearth of knowledge regarding CEO's perceptions of organisational trust, a semi-structured interview with open ended questions was used.

Researchers often prefer using open-ended questions if they want to maximise response validity. "Open-ended questions provide a greater opportunity for respondents to organize their answers within their own frameworks. This increases the validity of the responses and is best for the kind of exploratory and in-depth work we were doing, but it makes coding and then analysis more difficult." (Aberbach and Rockman 2002: 674)

There are certainly challenges associated with elite studies, and four in particular are highlighted by Aberbach and Rockman (2002). First, in the studies conducted by Aberbach and Rockman (2002), response rates were very high (over 90%) for career civil servants, but very low for Members of Congress. They point out that response rate could be a significant problem for researchers willing to interview elites. It can be very difficult to secure interviews with elites who are widely sought after. Second, open ended questions can increase the difficulty in coding. Coding is an important task that is required to elicit subtle and rich information from the interview. Third, elite interviewing involves substantial costs in terms of time and effort in conducting the interviews, transcribing them, coding, and finally analysing them. And fourth, validity and reliability can always be questioned. Elite interviews are typically conducted using open ended questions. While this allows maximum flexibility in responses, open ended questions tend to exacerbate validity and reliability problems. Validity refers to the appropriateness of the measuring instrument to the task, and reliability refers to the consistency of the results when put under repeated testing with the measuring instrument. Researchers need to pay close attention to the field methodology. Problems could arise from poorly worded questions, unrevealing answers, and misleading statements (Berry 2002). Another problem with open ended questions, particularly with political elites is that of exaggeration (Berry 2002).

Several strategies were employed in an attempt to mitigate these potential problems. If researchers want to increase response rate in elite interviews, Aberbach and Rockman (2002) suggest mentioning prestigious organisational sponsors if one has any, and mentioning some past experience in studying the area of interest if possible. This was also practiced by Zuckerman (1972). Kincaid and Bright (1957) point out that affiliations and sponsorship and the nature of the appeal were vitally important in getting cooperation. Harvey (2010: 199) came to the same conclusion when conducting his research in Boston where he "found that being a researcher from the University of Cambridge and a visiting scholar at Harvard enabled me to gain access to elite members," and provided the opportunity to snowball other contacts. In the case of the present study, the researcher started with an individual CEO (Doug Richard) with whom the researcher had some knowledge given that one of the companies he led was based in Dallas, Texas near the researcher's own business. Doug Richard was pleased to speak with the researcher as a fellow software executive. The researcher then asked Mr Richard to recommend other CEOs that might be willing to participate in this study. Utilising the goodwill and respect of his name and others created a cascade effect (consistent with snowball/chain-referral sampling) that allowed for access to the remaining participants.

As mentioned previously, it can be difficult to gain access to elites, especially large numbers of them. The researcher in the present study gained access to thirteen elite respondents and chose to go into great depth with each of them to understand their conceptualisations of trust in their organisations. The choice of depth over breadth is not uncommon. Several studies utilising small sample sizes have provided important contributions to the literature in their respective fields. For example, Davidson (1995) published a compelling study of a single prostitute that provided important insights into the power and control dynamics of the exchange relationship and introduced new complexities associated with that type of transaction. Watson (1993) studied three women working in a local labour market to make the argument that social and historical contexts should be included in analyses of economic processes. Bartholomew and Garey (2002) performed a qualitative study that investigated the career success of three elite women chefs, including the attributes that led to their success and the factors influencing their levels of success such as balancing work and family life. Bowen (2002) explored how ethical issues were addressed at the senior manager level by interviewing six elite executives and found that extensive prior training, intense analysis of the issues and taking a deontological (or rules-based) approach to decision-making resulted in favourable outcomes.

It should be clear that this study is not based on a representative sample – none of the claims made in this thesis assume representativeness; in fact, several of the interviewees were chosen because of their very unusual experiences (Nicholas Baring, for example). Participants were not selected because they were *typical* cases, but rather some of the cases were selected because they had experienced significant breaches of trust that resulted in extreme business outcomes. One can learn as much from exploring extreme cases as typical cases. The approach is similar to best practices research, where studying the actions of high-performance outliers for the purpose of sharing their strategies may inform others that have not yet had similar experiences (Green 2006). A random sample was not taken and therefore did not allow for the possibility that any senior executive could have participated, and it can't be assumed that another set of senior executives would provide similar responses. The purpose of this study is to get a sample of senior executive elites to discuss the role of trust in their business lives in great detail. The interest of the present study is to explore the processes of how CEOs talk about trust, not provide a description of a representative sample. The fact that the sample is not representative does not undermine the validity of the research. Given the choice between a much larger sample with less detailed data or the very detailed data analysis contained in this study, performing a more detailed analysis with a small sample was more appropriate in this case than having a more superficial analysis that could have been done with a quantitative approach. Harvey (2010: 193) points out that "many social science disciplines have skewed strongly towards quantitative research, thereby overlooking the experiences of elites who were not large enough in size to be included in sample surveys." In the last few years there has been renewed attention on in-depth interviewing, case studies and participant observation, and elites have received a fair amount of attention (Harvey 2010). If one person states something interesting, or several for that matter, and it is something consistent or inconsistent with the literature, or missing from the literature, that in itself is interesting and fertile ground for thinking more broadly about the literature or adding to it. The identification of patterns or creating a representative sample is not central to what this study is trying to achieve. The focus is on the individual responses and how they might inform our understanding of trust from the CEO's perspective.

The problem of exaggeration and/or going to an unanticipated path may be mitigated by probing, a questioning strategy that was used throughout the interviews. After all, time with an elite subject is scarce (Berry, 2002) and therefore must be used efficiently. In a study on political participation of not-for-profit organisations, Berry (2002) used a base list of just eight questions. The present study used a list of twelve questions with the first group of senior executives and a list of seven questions with the second group of senior executives. Consistent with the guidance of Barry (2002), the interviewer played an active role and made decisions about what additional questions to ask as the interview progressed. If the participant went down an unanticipated path during the interview, it was quickly determined if this was a distracting digression and questioning was used to steer the interview back on track. However, it was also understood that digression can often lead to interesting revelations as well (Barry 2002), which is a benefit of open ended questioning format.

Another concern is information loss which can be mitigated by tape-recording, subject to the approval of the interviewee which was the case with each of the participants in the present study. All of the interviews were recorded with no loss of information. Additionally, the data was not inter-rated. The study author was the only one evaluating the data and it is acknowledged that another researcher might evaluate it differently. To offset this, exact quotes were used in context where appropriate so that the reader could judge very transparently the quality of the qualitative analysis. The intent here is to allow the reader to be reassured of the reasoning and justification through complete transparency even though they may have interpreted the data another way. There is not just one way to read the data.

As Aberbach and Rockman (2002) point out, when sharing questions with participants in advance of the interview, there may be some unknown effects of their familiarity with the project. Also, researchers would have to decide whether to repeat questions in later rounds when better questions could be asked (Aberbach and Rockman, 2002). In the present study, questions for the second set of interviews were drawn from the first round interview data to validate (or problematise) certain key concepts. The questions for the second group were shared with the senior executives in advance of the interview.

Study Limitations

It is appropriate to note that there are exclusions and limitations to this research. There is the impact of the researcher on the setting, referred to as the "Hawthorne" effect, whereby the purity of the research is compromised simply through the interactions necessary to conduct the research. The values of the researcher also might have influenced the research (Pidgeon and Henwood 1997). Evaluation apprehension or 'social desirability bias' may have influenced the responses as participants may have wanted to project favourable images of themselves (Berry 2002). The fact that senior executives were interviewed rather than members of other functional areas of the organisation might limit the relevance of the findings, but no more so than focusing on any other members of the organisation's hierarchy. In fact, given the strong influence on strategic decisions and defining corporate culture inherent in the position, it may be that the perceptions of senior executives have more of an impact on the dynamics of trust in an organisation in that their directives usually trickle down the organisation and form perceptions at every level (Harvey 2010). The general concern regarding a focus on companies operating in western cultures was partially addressed by interviewing executives from geographically dispersed organisations. For example, although Microsoft is based in the US and the cultural orientation of the headquarters senior personnel is western, the senior executives are responsible for operations all over the world and must be sensitive to regional differences. This did not address the potential homogeneity that might exist in terms of the all-male executives' shared educational background or personal business philosophy and experience gleaned from outside their current place of operation. This is also a small sample size, and is not intended to be representative of the larger executive population. This study may also be explicitly biased by the executives' level of success and achievement. Although the sample size is small, access to senior executives of this calibre is illusive and rich with information. It was determined after analysing the data from the first set of interviews that an additional round of interviews should be conducted with a new group senior executive elites to explore in more depth certain key concepts presented by the first set of executives. Given that this is one of the first research studies to attempt to gather the trust perceptions of senior executives, it was concluded that an immersive study with a small sample would provide rich content and a strong foundation for further research to be performed.

Certain demand characteristics may have influenced the research. The fact that the interviewer is an older male with many years of experience operating a business might influence the subjects. Whereas there could be a sense of authority displayed by the executives if the interviewer was a 25-year-old graduate student, the present scenario had the potential to create a competitive or defensive situation, although there was no evidence that this was the case. To the contrary, the characteristics of the interviewer seemed helpful in eliciting responses from the interviewees in that there seemed to be an appreciation for the understanding of basic business principles that didn't need elaboration. This allowed for the focus to remain on trust in the organisation, rather than having to explain, for example, the nuances of a profit and loss statement or balance sheet. However, this perception of a shared history and the possibility of a shared future can create issues as well (Harvey 2010). The interviews took place in familiar surroundings for the subjects (offices, clubs and restaurants) where there was a high degree of comfort for the participants.

Elite interviewing methods can sometimes suffer from elite bias, an over-concentration on certain respondents due to their knowledge and proficiency, strategic placing in terms of access, and because researchers like to share their high status. In addition, Kezar (2003) points out the need to balance academic freedom and one's obligation to future researchers; unless the aim of the interviewer is to elicit a response through conflict (as might occur in journalism), the interviewer will clearly be conscious of the obligation to not embarrass or raise the hostilities of the elite interviewee such that future access will be possible for the interviewer and other researchers. Marshall and Rossman (1995: 83) describe certain conditions associated with elite interviewing that may arise, potentially creating additional limitations: "Elite individuals are typically quite savvy and may resent the restrictions of narrow or ill-phrased questions. They may want an active interplay with the interviewer. Well practiced in meeting the public, an elite person may turn the interview around, thereby taking charge of it". When this started to occur with the participants in the present study, they were guided back to the subject at hand through additional questioning. At no time, however, were they interrupted so as to ensure that they felt that their point was being made and not being ignored. Interpretations were fed back to the senior executives throughout the interviews for the purposes of clarification and getting them to think more deeply about certain statements.

The breadth of theoretical and empirical research into trust is vast, and there is clearly insufficient space in this thesis to address it all in depth. Some responses are afforded a detailed analysis, while others are superficially presented or not addressed at all. The attempt here is to present studies that are applicable to corporate environments and not run too far astray into concepts that are not intended for this particular area of consideration. The interviews sought the inclusion of novel conceptualisations of trust heretofore not considered in the organisational trust literature. Finally, some of the findings are preliminary and require further investigation.

First Round of Interviews

The companies in the first round of interviews include a medium sized technology company based in the US; a small venture capital firm based in London; a global accounting firm; a small software company headquartered in London; a mid-sized financial services provider now part of a global financial conglomerate; and Microsoft, the largest software company in the world based in the United States. The executive reports from these six interviews appear in sections 2, 3, and 4 of this thesis.

Access to elite executives can be very difficult to gain, and the researcher initially relied on his network of colleagues for suggestions on executives to interview and their good reputations to make contact. As Flick points out, it is sometimes necessary "to ask professionals or colleagues about where to find people to study" (Flick 2009: 432). An initial list of potential participants was created based on contacts known to the researcher, and letters were sent out requesting an interview. The first two interviews were arranged, and the interviewer asked the interviewees for names of other senior executives that might consider participating in an interview. Additional letters were sent out requesting interviews. Two potential subjects refused interviews based on very busy schedules that would not accommodate a meeting lasting several hours. It is possible that these individuals did not want to discuss the topic of trust as they are highly visible and somewhat controversial international business figures. Additional executives were contacted and agreed to the interview.

A semi-structured interview was conducted with each executive from the first group for a period of 2-4 hours, depending on the time allotted. The semi-structured approach was most appropriate in this case because the subjects' knowledge, understanding, views, interactions and experiences were particularly meaningful to understanding the social and business realities of trust (Saunders et al. 2010: 421-22). Interviewing is considered a more efficient means of gathering qualitative data from elites than questionnaires and focus groups, and it can generate novel and insightful data (Harvey 2010). The interview was designed to elicit personal experiences and understandings of trust in the work environment and also to glean responses against specific theories that have been proposed in the literature. The interviews were captured on a digital recorder and transcribed in full. The data were then analysed for homogeneity and heterogeneity with the relevant literature. Initially a software package (Atlas.ti v5.0) was used to code the data. The researcher chose to analyse the content further by putting paper copies of the transcribed text on the wall and writing observations in pen. The researcher is a long-time consultant who is very comfortable with this proven method of analysis and found it to be a more immersive technique than using the software alone. Content was initially divided into broad categories that could be considered to be consistent with the literature, different from the literature, and novel in that the data didn't seem to appear in the literature. A thorough analysis of the data resulted in more specific content areas emerging that became the main sections of this thesis. The data was further distilled into subcategories to a point of what the researcher initially thought was theoretical saturation. Where appropriate, concepts expressed verbally by the executives were illustrated for later presentation.

Second Round of Interviews

In response to the realisation that theoretical saturation had not been met with certain key concepts from the first set of interviews, the researcher elected to conduct a second round of semi-structured interviews with different executives exploring trust in organisations. The senior executive reports from these seven interviews appear in section 5 of this thesis. Taking this step is consistent with grounded theory in that "The world that is studied by grounded theorists is very much a product of human participation and negotiation. It is a changing world, which means the methods used for studying it must be sensitive to its dynamic properties. This is what grounded theory attempts to do by focusing on process and change" (Willig 2008: 48). Like the companies in the first round, the companies in the second round were all based in the United Kingdom and United States of America. The respondents were senior executives in a large cancer treatment centre, an analytics company, a large movie theatre chain, a vaccine manufacturing company, a software provider, a national biosecurity foundation and a large mining company. The second round of interviews was not simply conducted to extend to the sample size. Rather, in keeping with the traditions of the grounded theory, the researcher took what was learned from the first round of interviews and tested this knowledge with a second set of senior executives. The questions asked to the second set of executives were formulated after a careful consideration of the responses from the first group of interviewees to build on that knowledge and, hopefully, resolve ambiguities (Glaser and Strauss 2006). Consistent with this application of new learning, the data gathering methodology was adapted to consider the possible impact it may have on executive responses. Unlike the first group, the data from the second group remained anonymous, and some of the questions were shared with them in advance so they could reflect on the answers before the interview. A graphic representation of one key concept (optimal trust) was also shared in advance. It was thought that allowing the executives to participate anonymously might result in them being more honest and less guarded in their responses. Sharing the questions in advance and allowing them to reflect on the answers before the interview might also result in more targeted responses given the additional time to consider and organise their thoughts. The graphic representation that was shared was from the optimal trust concept introduced by an executive from first group and was intended to illustrate a somewhat diffuse concept that might be better expressed visually rather than verbally. Employing this new method of data gathering resulted in an expansion of this methodology chapter. The full version of grounded theory was followed (rather than the abbreviated version) where the researcher collected a preliminary set of data, explored it through open coding, linked the data by categories, and then returned to the field to collect further data based on what was learned from the first set. This allowed for triangulation of the initial data by using new data sources and collection methods. Each interview was transcribed and coded before the next interview so the researcher could determine when theoretical saturation was being approached.

The data was coded in the same manner as the first group of senior executive participants. Throughout the coding process I kept in mind that "Categories in grounded theory emerge from the data – they are not mutually exclusive and they evolve throughout the research process" (Willig 2008: 35). The coded data from the second round of interviews were then compared to the first. These changes are the result of a learning process that took place after the first set of interviews. As the first round of interviews progressed, the data collection became focused and informed by the emerging content, which sent the researcher back to open coding to develop additional categories.

Chapter 4 that follows introduces the senior executives that were interviewed for this study. They are accomplished leaders of companies from Great Britain and the United States that range from small venture capital organisations to multi-national conglomerates.

CHAPTER 4: Descriptions of the Senior Executives and Remarks on Interview Conditions

The thirteen senior executives were selected for this study because they represent a diverse group of business leaders with a wide array of operational and managerial experiences. They range from the CEO of a medium-sized consulting firm to the executive in charge of one of the most important divisions in one of the largest companies in the world. Together they provide unique and valuable perceptions of trust in organisations from the senior executive perspective. Each of the six participants in the first group agreed that their names could be included in this study for the purpose of academic research. The participants were informed and consented to having their names used. Admittedly, if they were interviewed anonymously, there might have been a theoretical possibility of greater openness. The seven participants from the second group were told their identities would remain confidential. They are only identified by a brief description of their company. It should be mentioned here that the researcher noticed no significant differences in openness and honesty in responses between the two groups.

Doug Richard (from interview)

Doug Richard is the former President and CEO of Micrografx Inc., a US publicly traded software company with offices in 11 countries. In 1996, Micrografx acquired Visual Software, a software company that Mr Richard founded. Before

Visual Software he was the founder of ITAL Computers, a firm that provided CAD/CAM systems integration services to the aerospace industry. Mr Richard is currently CEO of Library House, a research and data services company that was founded to provide greater transparency and access to innovation based companies. He was also a featured venture capitalist on the television programme *Dragon's Den* which aired on BBC2.

The evolution of Micrografx involved a degree of upheaval and turbulence. Doug sold his company to Micrografx in an all-stock deal that made him quite wealthy. However, in fewer than three months, his paper wealth had disappeared in a scandal that saw the company's independent audit firm resign, the Board of Directors turn over, and Doug replaced as CEO of a company that had lost 95% of its value on the stock exchange. After attempting to rebuild the company's reputation over the course of several years, he eventually sold what was left of the organisation to Corel Inc. He has since founded Library House, a start-up that he describes as built on trust.

Mr Richard was interviewed for approximately 2 ½ hours over lunch at a restaurant and later in a conference room at his office. The lunch interview was very casual and I found Mr Richard to be very open and honest. He tended to meander off topic which, in the opinion of the interviewer, actually resulted in some of the more interesting observations that appear in this thesis. At times Mr Richard would begin discussing his personal philosophy of trust rather than describing his view of trust as experienced in his own work environment. In these cases, Mr Richard was directed through questioning back to his trust experience in the organisation rather than his idealised conception of how trust should operate in companies. Mr Richard became agitated on several occasions when discussing the demise of Micrografx. A comfort level was quickly established with the interviewer that carried through the rest of the session.

Mr Richard was a desirable interview candidate because of his varied background as both the CEO of a large publicly traded corporation and small start-up companies.

Martin Rigby (from interview and ET Capital marketing literature)

Since 1992 Martin Rigby has been the Venture Fund Manager of ET Capital, a venture capital firm that invests in start-up and early stage high technology companies. In 1988 he founded Egan & Talbot, a consultancy specialising in venture and corporate finance advice to un-listed growth companies. He has made investments in nearly forty technology businesses over the past 16 years. He sits on the boards of six companies, including: Bango.net, gosurprise, Impak, Oi! Bagel, Force12 and WAX info, and is a non-executive director of the Cascade Seed Fund. Prior to that he managed what is now the HSBC UK Enterprise Fund for East Anglia & the Home Counties investing in early stage businesses, both technology and non-technology, based in East Anglia and the northern Home Counties. He read history for his first degree at New College, Oxford, and was a regular army officer for seven years before completing an MBA at Cranfield University.

Mr Rigby was interviewed for approximately 2 hours at the ET Capital conference room. Mr Rigby speaks very quickly, and the pace of the interview was difficult to control at times. As a venture capitalist, Mr Rigby had very specific opinions on the subject of trust and was pleased to share them with the interviewer. Mr Rigby was a desirable interview candidate because of his long venture capital background and involvement in multiple global high risk start-up companies.

Michael MacSwiney (from interview)

Michael MacSwiney is a former Managing Partner in the global accounting firm Grant Thornton. He joined the firm out of university and quickly rose to partner. During his tenure, the accounting profession underwent dramatic change, where the once valuable financial advisor was replaced by an almost robotic, process-oriented accountant whose role was dictated by restrictive policies designed to avoid perceptions of impropriety and lawsuits. According to MacSwiney, where once trust was built with the customer by exceeding their expectations, the restrictive policies of engagement now greatly hinder the ability to build trust. MacSwiney has seen his firm evolve from a corporate giant respected around the world to one embroiled in the Parmalat scandal where a reported four billion GBP that only existed on the books went unchecked and brought the corporation down in disgrace.

Michael MacSwiney was interviewed for approximately 3 ½ hours in his office at Grant Thornton. The MacSwiney interview can be characterised by gems of unique experience sprinkled among detritus. MacSwiney likes to tell long, involved stories that seemingly lead nowhere. Yet just when the interviewer thought that there was no trail back to the subject at hand, MacSwiney would close the irregular loop he'd been drawing and provide valuable experiential data. Mr MacSwiney's status as Managing Partner of one the world's largest accounting firms made him a desirable interview candidate. The accounting industry has undergone significant change as a result of scandals such as Enron and Parmalat, and Mr MacSwiney's experiences managing through the changes in companies around the world provided a valuable view of organisational trust.

Michael Mainelli (from interview and Z/Yen marketing literature)

Dr Michael Mainelli is the Founder and President of Z/Yen, a London-based consultancy that assists large corporations and agencies in solving some of their most complex problems. Michael began his career as a research scientist in aerospace and computer graphics which led him to start companies in seismology, cartography and energy information. In the early 1980's Dr Mainelli created a multi-million dollar oil industry consortium which culminated in the development of a complete digital map of the world. He has spent several years as a partner and board member of one of the leading accountancy firms directing consultancy work in the UK and overseas. Dr Mainelli has worked in the public sector on privatisations and strategy; in the private sector in a variety of industries (banking, insurance, manufacturing, media, retail, utilities, television, and distribution) on problems ranging from strategy through information systems, quality, human resources, environmental systems and R&D; and in the voluntary sector on a number of assignments to improve performance.

Dr Mainelli is on the editorial board of the *Journal of Strategic Change* as well as the *Journal of Business Strategy* and on the advisory board of the Centre for the Study of Financial Innovation. He is a qualified accountant, computer specialist and management consultant with a degree from Harvard as well as mathematics and engineering at Trinity College Dublin. Michael's PhD from the London School of Economics was in the application of risk/reward methodologies involving chaotic systems and strategic planning quality.

Dr Mainelli was interviewed for approximately 3 hours in the Z/Yen conference room. He is a "hands-on" CEO that regularly interacts with all levels of employees, sells directly to customers, negotiates with investors and suppliers and personally works on a variety of projects with members of his staff. Mainelli leaps from topic to topic, so the interviewer had to regularly circle him back to complete his thoughts. During the interview he constantly drew graphics on paper to illustrate his point – it was very important to him that the interviewer completely understood his trust experiences both verbally and visually. When Mainelli drifted into the theoretical domain, he was quickly drawn back to his direct experiences through questioning, or was asked for specific examples from the work environment to support his statements. Dr Mainelli was a desirable interview candidate due to his experience working closely with a wide variety of companies in multiple industries.

Nicholas Baring CBE (from interview)

Nicholas Baring CBE is the recently retired Chairman of the Baring Foundation. Prior to this position, Baring was Deputy Chairman of Baring Brothers & Co., Chairman of Commercial Union plc., and Chairman of the City Capital Markets Committee. Mr Baring is a graduate of Magdalene College, Cambridge, a member of the Board of Trustees at Cambridge University's Fitzwilliam Museum and is a former Chairman of the Board of Trustees of the National Gallery in London.

Baring Brothers & Co. was a small, family-controlled bank founded in the late 1700s that provided general banking services, underwrote bonds and traded commodities. Barings entered the securities market in 1984 with the formation of Barings Securities Ltd., and hired a young banker named Nicholas Leeson to work in its London office in 1989. Leeson was 22-years-old and did not attend University like many of his colleagues at Baring Securities. In 1992, Leeson was chosen to run the back office for the newly formed Baring Futures Singapore, a subsidiary that traded futures and options. Soon after taking the new position, Leeson was given responsibility for running both the back office accounting and control functions as well as executing client's orders. In other words, he was trusted to place orders on behalf of clients and report the results of those trades to the stakeholders back in London. This created a unique opportunity for fraudulent behaviour that eventually resulted in the collapse of Baring Brothers & Co. after almost 300 years of service. Evidently, this can be considered as a classic example of how overtrusting a single individual can lead to adverse effects on a company.

Mr Baring's views on trust in the organisation are of particular interest due to the extraordinary consequences to his company of placing too much trust in an untrustworthy individual. The advantages and disadvantages of trust are apparent in building and destroying the company.

Mr Baring was interviewed for approximately 2 hours at a club called Brooks's on St. James Street in London. Before the interview he spent a few minutes taking the interviewer on a tour of the club, which he described as a Whig social establishment that dates back to the late 1700s. Although the club was quite busy when the interview began, Mr Baring had carefully arranged for us to conduct the interview in a large gathering room behind closed doors. We sat in the back corner furthest from the doors and he spoke very softly. At first the interviewer could surmise that Mr Baring was being very cautious in his approach to the topic of trust. It was clearly a topic that has affected him and his family's business in very personal ways, namely his perception that a betrayal of trust was at the core of the fall of Baring Brothers & Co. During the first part of the interview Mr Baring was very reserved and provided short answers to questions that were designed to illicit more expansive responses. After what was perhaps twenty minutes he became more open, and many of the questions that had been brushed aside earlier were answered fully when rephrased by the interviewer. When discussing the fall of Baring Brothers in the context of trust, he understandably became (for him) quite agitated and slightly emotional. Nicholas Baring was a desirable interview candidate because he was one of two family members (along with his brother Peter) that were stewards of the family business when it met its demise, and his particular view of trust adds immeasurable value to this thesis.

Scott Charney (from interview and Microsoft marketing literature)

Scott Charney is the Chief Trustworthy Computing Officer of Microsoft Corp where he focuses on developing strategies to enhance the security of Microsoft products, services and infrastructures as part of the Trustworthy Computing initiative. It is interesting to note that a huge company like Microsoft actually has a position called "Chief Trustworthy Computing Office", instead of simply relying on their brand image to convey trustworthiness among its customers. In a sense, therefore, Microsoft is resorting to a *surrogate trust* measure by creating a position specifically targeted towards trustworthiness as enumerated in a later chapter. Before coming to Microsoft, Scott was a principal for PWC's Cybercrime Prevention and Response Practice.

During Charney's tenure at PricewaterhouseCoopers, he provided proactive and reactive computer security services to major companies, including designing and building computer security systems from scratch, testing existing systems, conducting cybercrime investigations, and assisting companies responding to electronic discovery requests.

Before joining PricewaterhouseCoopers, Charney served as chief of the Computer Crime and Intellectual Property Section (CCIPS), Criminal Division, at the Department of Justice, from 1991 to 1999. Under his direction, CCIPS investigated and prosecuted national and international hacker cases, economic espionage cases, and violations of federal criminal copyright and trademark laws. Before joining the federal prosecutive ranks, Charney was an assistant district attorney in Bronx County, New York, ultimately serving as deputy chief of the Investigations Bureau.

Charney holds a degree from Syracuse University College of Law as well as Bachelor's degrees in History and English from the State University of New York at Binghamton.

Scott Charney was interviewed for approximately 3 hours in his office and in the lunch room at Microsoft headquarters outside Seattle, Washington. The interview had what might be considered an unpromising start when Charney responded to a question regarding his definition of trust by accessing Webster's Dictionary On-line for the answer. The interviewer's fear was that the rest of the responses would come from some other on-line database or Microsoft marketing literature. Thankfully that was the last time he went to the computer for an answer, and the rest of the interview was thoughtful and based on his personal experiences of trust in organisations. Unlike the other interviewees, Mr Charney seemed quite interested in the views of other participants, and these questions were lightly deflected by the interviewer so as not to colour his responses with the views of others.

Mr Charney was a desirable interview candidate because of his breadth of experience in law, consulting and corporate management. To the interviewer's knowledge, he is also the only person to hold the title Chief Trustworthy Computing Officer for any corporation. Unlike the other interviewees, his specific job is to manage trust among the various constituencies which requires him to intentionally focus on trust strategies and impacts every day.

Group 2 Senior Executives

The second group of seven senior executives were informed that they would remain anonymous. They are senior executives from a cancer treatment centre, an analytics company, a movie theatre chain, a therapeutics manufacturing company, a software provider, a national biosecurity foundation and a mining company.

Only two interview requests were turned down by executives that will remain anonymous. Both of these individuals were replaced with other senior executive participants.

Chapter 5 that follows begins the study of the nature of trust by analysing the definitions of trust as reported by the senior executives.

CHAPTER 5: Defining Trust

Trust Definitions

The purpose of this chapter is to build a trust typology which distinguishes between characteristics of genuine trust and surrogate trust, analyse definitions widely cited in the literature against the typology, and compare the results to the executives' definitions to consider homogeneity or heterogeneity of definitions.

A Proposed Trust Typology: Genuine Trust & Surrogate Trust

Based on the variety of definitions presented, on the surface one may be led to believe that there is no real consensus among researchers on the meaning of trust. To the contrary, an analysis set within the context of the following proposed typology shows some of the various definitions to be inclusive of both *genuine trust* and *surrogate trust*, allowing for the complementary relationship that might exist in real-world environments. Genuine trust and surrogate trust are characterised and defined as:

Genuine Trust

Key Characteristics – lack of control, goodwill, benevolence, loyalty, shared values and beliefs, leaps of faith, suspension of opportunism risks, and no absolute prediction

Genuine trust is a type of trust based on factors that transcend control, where trust operates in the domain of goodwill and benevolence resulting from loyalty and shared values and beliefs. Genuine trust is associated with leaps of faith, or the suspension of the acknowledgement of opportunism risks, where there is no means to absolutely predict an outcome, and the decision to move forward in the relationship is justified primarily based on goodwill.

Surrogate Trust

Key Characteristics – controlling factors, responding to opportunism risks, risk assessment calculations, penalties, oversight, cognitive

Surrogate trust is a type of trust that requires the inclusion of trust substitutes (Fukuyama 1995), or controlling factors, that limit opportunism by means other than genuine trust. This type of trust encompasses the full range of trust substitutes and controlling factors including elaborate contracts with strict penalty clauses, oversight activities, and other elements that are associated with some risk assessment calculation. These controlling factors are direct responses to known opportunism risks, where suspension of this knowledge is not possible. In situations where genuine trust is not necessary or not yet achieved, surrogate trust may be the type most appropriate for the exchange relationship to move forward. Moreover, it is also important to note that genuine trust may not be achieved simply because it would be prohibitively costly to do so. This often calls for surrogate trust measures like contracts.

Many definitions have been proposed by scholars studying trust in exchange relationships[1]. The most widely cited definitions are analysed using the typology below. For those that trend primarily toward one trust type or the other (genuine or surrogate), the word PRIMARY will appear in the box. This represents my conclusion that the primary intent of the scholar is weighted toward one trust type over the other. Secondary trends are represented by the word SECONDARY appearing in the appropriate box, indicating that there are characteristics associated with that trust type in the crafting of the definition, but it is not indicative of primary intent. If the intentions are perceived to be equally weighted (that is, organisational trust includes characteristics of both genuine and surrogate trust), there will be no trend indication noted.

[1] The trust definitions considered are particular to exchange relationships and exclude other trust definitions used for other contexts such as familial and romantic relationships.

Table 1. Typology Table with Trust Definitions from Literature

Definition	**Characteristics of Genuine Trust**	**Characteristics of Surrogate Trust**
Trust is "the willingness of a party to be vulnerable to the actions of another party based on the expectation that the other will perform a particular action important to the trusted, irrespective of the ability to monitor or control that other party" (Mayer et al. 1995: 172).	**PRIMARY** The "willingness" associated with a voluntary acceptance of vulnerability to opportunistic behaviour. Irrespective of the ability to monitor and control, there is an expectation of trustworthy behaviour	
Trust is "a particular level of the subjective probability with which an agent assesses that another agent or group of agents will perform a particular action, both before he can monitor such action (or independently of his capacity ever to be able to monitor it) and in a	**SECONDARY** The recognition that monitoring may not be possible	**PRIMARY** The assessed subjective probability of beneficial performance could be the result of controlling factors that are in response to known opportunism risks

context in which it affects his own action…the probability that he will perform an action that is beneficial or at least not detrimental to us is high enough for us to consider engaging in some form of cooperation with him" (Gambetta 1988: 217).		
Trust is one party's confidence that their partner in the exchange relationship will not exploit its vulnerabilities (Dyer and Chu 2003; Sabel 1993; Ring and Van de Van 1992; Barney and Hansen 1994; Zaheer et al. 1998).	Confidence might arise from goodwill Exchange partners may have loyalty and shared values sufficient to preclude the need for safeguards	Confidence might arise from safeguards (trust substitutes) Exchange partners may require certain contractual safeguards early in a relationship to protect key interests against known vulnerabilities. As confidence builds, so might trust, and the need for safeguards may be reduced.
Trust is a "type of expectation that alleviates the fear that	The expectation linked to alleviated fear may be due to shared values and	The "expectation" that alleviates fear of opportunistic behaviour

one's exchange partner will act opportunistically" (Bradach and Eccles 1989: 104).	beliefs, loyalty and goodwill	may be associated with some calculation based on controlling factors
Trust is "the reliance by one person, group, or firm upon a voluntarily accepted duty on the part of another person, group or firm to recognise and protect the rights and interests of all others engaged in a joint endeavour or economic exchange" (Hosmer 1995: 393).	**PRIMARY** The "reliance" to protect rights and interests, which requires the acceptance of vulnerability (on the part of the trustor) and benevolence (on the part of the trustee)	
Trust is "the assumption of a trustor that a trustee will not take advantage of his vulnerability resulting from his one-sided pre-commitment while ignoring all other possibilities" (Bachmann in Nooteboom 2003: 59).	**PRIMARY** The trustor knows his/her vulnerabilities, is aware of the possibility of trustee opportunism, and chooses to engage the exchange partner. Although there are no guarantees, the trustor is willing to take a leap of faith that the trustee will not act opportunistically	

	in the exchange relationship. The pre-commitment is considered one-sided, and there is a conscious choice to ignore the uncertainty gap.	
Trust is "a psychological state comprising the intention to accept vulnerability based upon positive expectations of the intention or behaviour of another" (Rousseau et al. 1998: 395).	The recognition of an intention (a willingness) to accept vulnerability on the positive expectation of another's behaviour	The expectation of intention may be based on a calculation that includes certain controlling factors

Table 1 indicates that some of the most widely cited definitions of trust allow for the key characteristics of genuine trust and surrogate trust to operate equally in the same frame. Certain definitions are not inclusive of surrogate trust, while others allow for their inclusion either primarily or secondarily. Of critical importance is that trust in organisations isn't considered by many scholars as solely a leap of faith, nor is it simply a cold, calculated assessment fraught with risk and penalties. Rather, through their operational definitions of trust, many researchers have attempted to be inclusive of both genuine trust and surrogate trust, recognising the role that each plays in exchange relationships.

Based on this analysis of their definitions, it is suggested that Mayer, Hosmer and Bachmann might argue that organisational trust belongs in the domain of *genuine trust.* Gambetta might argue that organisational trust, being an "assessed subjective probability of beneficial performance", is more calculative and therefore belongs primarily in the surrogate trust domain. The remaining scholars would probably argue that trust in organisations actually incorporates characteristics of both genuine and surrogate trust. These findings are summarised in Table 2.

Table 2. Primary and Secondary Characteristics of Trust Definitions

Scholars	Genuine Trust	Surrogate Trust
Mayer et al.	Primary	
Gambetta	Secondary	Primary
Dyer and Chu; Sabel; Ring and Van de Van; Barney and Hansen; Zaheer et al.	Dual	Dual
Bradach and Eccles	Dual	Dual

Hosmer	Primary	
Bachmann	Primary	
Rousseau et al.	Dual	Dual

Definitions that incorporate the dual nature of trust in organisations are consistent with the work of other scholars (Gulati 1995; Sitkin 1995; Adler and Borys 1996; Chiles and McMackin 1996; Poppo and Zenger 2002; Mellewigt et al. 2003) where trust and trust substitutes (such as formal contracts) are shown to be complementary in exchange relationships. They are contrary to Williamson's (1993) version of transaction cost economics where trust is seen as irrelevant, and transactions take place exclusively through the use of safeguards against opportunism (trust substitutes). This analysis suggests that the threads of continuity for some definitions of trust can be summarised as (1) the recognition of vulnerability to opportunism; (2) the willingness to assume risk where absolute control over opportunistic behaviour is not possible; (3) the use of both genuine trust and surrogate trust (trust substitutes like contracts) in exchange relationships, where the reasonable use of substitutes is not perceived as damaging to the relationship, but rather is an appropriate measure necessary to build the foundation for maturing trust. This observation is along the lines of

Hwang and Burgers (1997), who argue that trust is *a necessary but not sufficient condition for cooperation.*

The Changing Nature of Trust

Lewicki and Bunker (1996) add additional value to the discussion of the definitions of trust by introducing the notion that trust changes over time (Boon and Holmes 1991), and any static definition fails to be relevant as trust evolves and matures. They point out that this is a different perspective on trust from the view that the essence of trust cannot be captured by a single, static definition of its key elements and attributes. Trust is perceived as a dynamic phenomenon that takes on a different character in the early, developing, and mature stages of the relationship (Lewicki and Bunker 1996).

In one of the earlier studies, Wicks et al. (1999) remark that trust is a dynamic and continuous variable, rather than an either/or phenomenon. Also, as pointed out by Dirks and Ferrin (2001), trust embodies the accumulated experiences with, and knowledge about, the other party in situations involving vulnerability. Accumulation of knowledge and experience involves time and it reinforces the operational definition of trust as a dynamic variable.

In one of the recent studies, Khodyakov (2007) argues that rigid distinctions in existing social capital theory between high-trust and low trust societies fail to account for the complexity of trust. He views trust as a process and suggests a definition of trust based on the notion of agency, which underscores the idea of temporality and incorporates the roles of the past, present, and future.

Executive Reports

Each of the interviews was started by asking the executives for their definition of trust. No context was given, and many of the elaborations by the subjects drifted from trust within the business organisation to trust within personal relationships in general. Doug Richard was very quick when he responded,

> "I define trust very narrowly as an acceptance of letting go - an acceptance that other people are capable and therefore will act appropriately when getting things done. The act of running a business is the act of making decisions. People make thousands and thousands and thousands of decisions, and therefore you have to trust them to make the right decisions or you don't. Therefore, if the functional act of being in a business is to make decisions, endless quantities of them, you either review and command and control or you don't. Then the act of handing over trust is one of handing it over in an appropriate measure and then making sure that you think about it. It's a conscious thing. It is the core bond between all individuals in the organisation as they relate to each other within the culture of the organisation."

Martin Rigby, the venture capitalist, struggled at first, but slowly made his way through a somewhat rambling definition.

> "Trust is one way of ensuring that commitments are fulfilled. Trust is a complex, social phenomenon where one individual enters into a bargain with another which is either one time or many times or a lifetime in which they ought to do something in turn for something else - or even less tightly defined than that, where they simply commit to adhere to some principles, such as communication or reliability or financial dependence or investment or whatever it might be. It is this business that underpins a commitment that is being made either implicitly or explicitly. That is what trust is doing, you trust somebody when you believe they have to fulfil an obligation to you in essence. That obligation might be an obligation in spirit which would be like between marital partners or it might be the fact that when two stockbrokers approach the big bang, did a deal in the floor of the London's stock exchange my word is my bond. They knew that when one had said "yes", that was a binding contract and he wouldn't renege from that. And, of course, what is interesting about it is that today there is less and less trust or apparently less trust because people underpin those commitments more and more by alternative tools of which contracts and legal agreements of the obvious manifestation."

Michael MacSwiney's definition was consistent with Doug Richard in that vulnerability on the part of the trustor underpins the trust dynamic.

> "Trust is about a willingness to make yourself vulnerable without being mishandled. So I think that can happen in business. Trust is that something you do won't be exploited or dealt with in a way different to a way that you trusted it would be."

Upon being asked for his definition of trust, Michael Mainelli was very concise.

> "It's when the perception of future volatility equals the reality. That is the shortest definition I can come up with. I'm very neutral on this. Trust is not a good thing or a bad thing."

Nicholas Baring was very thoughtful in his response. Compared to the other executives, it took quite a long time for him to come up with a definition that he felt was satisfactory. As I was soon to find out with many of his answers throughout the interview, Baring was clearly filtering his thoughts through the experience with Nick Leeson and the fall of Baring's Bank. After a long pause, he quietly gave the following definition:

> "It is the ability of individuals to work together, relying on their knowledge of an experience with other individuals rather than in some external system of

> rules or regulations. I think it's difficult to envisage today any organisation that doesn't have a framework of rules and regulations. I see trust as being an essential adjunct to that or complement, and I think we've seen that no regulatory system is perfect. There are those who will always seek to find a way around it and they will find it."

Scott Charney, the former US federal prosecutor and current Microsoft executive, was slightly glib in his response to the question. He immediately turned to his computer and said the following:

> "I would actually go to Webster's. That's what I'd do. As a lawyer – when people say we are debating this definition, I always go and start with the Webster's. The definitions are usually pretty good. According to Webster online – *trust is an assured reliance on the character, ability, strength or truth of someone or something.* So we are really talking about reliance on character, ability, strength, or truth."

Analysis of Responses

Based on the executive reports, it could be argued that an operational definition of trust (one that is relevant to the operation of organisations) requires elements of both genuine trust and surrogate trust. The executives' definitions demonstrate homogeneity with the definitions employed by Gambetta (1988), Dyer and Chu (2003), Sabel (1993), Ring and Van de Van (1992), Barney and Hansen (1994), Zaheer et al. (1998), Bradach & Eccles (1989), and Rousseau et al. (1998). Doug Richard refers to trust "as an acceptance of letting go", and that the "act of handing over trust is one of handing it over in an appropriate measure". For Richard, trust is not simply a leap of faith, but rather a measured response based on some reasonable acceptance of risk. Martin Rigby defines trust as "a complex social phenomenon where one individual enters into a bargain with another...in which they ought to do something in turn for something else". There is a clear expectation of a fair exchange or transaction that underpins the notion of trust. Of particular interest is Rigby's assertion that "today there is less and less trust, or apparently less trust, because people underpin those commitments more and more by alternative tools, of which contracts and legal agreements are the obvious manifestation". I would suggest that alternative tools are synonymous with surrogates, thus drawing a distinction between what might be considered a more pure or genuine trust, and a different type of trust that is regulated by alternative tools or trust substitutes. These tools are intended to fill gaps, consistent with Rigby's concept of there being less trust necessitating the use of fillers. This notion of trust is close to the cognitive-based trust enumerated earlier (Costigan et al. 1998).

Michael MacSwiney states that "Trust is about a willingness to make yourself vulnerable without being mishandled", and that it "is that something you do won't be exploited or dealt with in a way different to a way that you trusted it would be".

This is remarkably consistent with many of the cited researchers which address the necessity to make oneself vulnerable to exploitation or opportunism as a precondition for trust, but introduces risk reduction by referencing the calculation associated with expectation meeting reality. MacSwiney gives us the one example where it could be argued that the definition trends toward a more genuine trust with a secondary influence of subjective probability. Michael Mainelli provides the most calculative and direct definition of trust when he defines it in terms of “the perception of future volatility equalling reality”. For Mainelli, trust is a calculation based on reflection – either the future volatility is consistent with reality (resulting in trust), or the reality is inconsistent with perception of future volatility (resulting in distrust). Given the neutrality of the statement, trust is neither good nor bad, it is simply a calculation based on the anticipated volatility and actual outcome of an engagement. In other words, one can be trusted to act in an untrustworthy manner, which is still trustworthy.

Nicholas Baring provides the clearest connection between genuine and surrogate trust by defining trust as “the ability of individuals to work together, relying on their knowledge of an experience with other individuals rather than in some external system of rules or regulations”, and then quickly adding, “it's difficult to envisage today any organisation that doesn't have a framework of rules and regulations. I see trust as being an essential adjunct to that or complement, and I think we've seen that no regulatory system is perfect.” For Baring, the genuine characteristics of trust go hand-in-hand with surrogates such as regulations. In fact, he infers that the two are actually complementary and necessary. Thus his definition of trust seems to include aspects of both cognitive and affect based trust.

Scott Charney went straight to the dictionary and found that "Trust is an assured reliance on the character, ability, strength or truth of someone or something". He then went on to characterise the definition by referencing the question, "Is someone truthful and honest with me?", and stating that "we are really talking about the trust of truth". Said another way, is the expectation of trustworthiness consistent with the reality of trustworthy behaviour? Is his reliance assured?

When placed in the proposed typology table used above for the definitions widely cited in the literature, there appears to be a hybrid trust that blends both genuine and surrogate characteristics. The definitions suggested by MacSwiney, Mainelli and Charney may have primary or secondary characteristics of genuine and surrogate trust, but in all cases there are elements of both characteristics present. The senior executives' trust definitions and their genuine and surrogate trust characteristics are presented in Table 3.

Table 3. Typology Table with Executive Trust Definitions

Definition	Characteristics of Genuine Trust	Characteristics of Surrogate Trust
Doug Richard *An acceptance of letting go - the act of handing over trust is one of handing it over in an appropriate measure.*	The act of letting go is an act of faith	Handing trust over in appropriate measure points to elements of risk assessment calculations and employing controlling factors
Martin Rigby *A complex social phenomenon where one individual enters into a bargain with another...in which they ought to do something in turn for something else".*	By employing the term phenomenon, the definition evokes the unknown or unexplainable – a lack of control with no predictable outcome	The concept of bargaining one thing in exchange for something else involves risk assessment calculations
Michael MacSwiney *Trust is about a willingness to make yourself vulnerable*	**PRIMARY** The willingness is associated with a voluntary acceptance of	**SECONDARY** There is a risk calculation associated with expectation meeting

without being mishandled - that something you do won't be exploited or dealt with in a way different to a way that you trusted it would be.	vulnerability to opportunistic behaviour	reality
Michael Mainelli *It's when the perception of future volatility equals the reality.*	**SECONDARY** Engaging in the transaction so one can draw a reflective conclusion requires some acceptance of lack of predictability	**PRIMARY** Trust is a reflective act based on risk assessment calculations associated with perceived future volatility and reality
Nicholas Baring *The ability of individuals to work together, relying on their knowledge of an experience with other individuals rather than in some external system of rules or regulations. It's difficult to envisage today any organisation that*	Defining trust initially as working together in the absence of trust substitutes such as rules and regulations	Acknowledging that rules and regulations are necessary and actually complementary to genuine trust

doesn't have a framework of rules and regulations. I see trust as being an essential adjunct to that or complement.		
Scott Charney *Trust is an assured reliance on the character, ability, strength or truth of someone or something.*	**SECONDARY** *Assured* reliance rather than *guaranteed* reliance assumes some vulnerability	**PRIMARY** There is a strong emphasis on the act of assuring reliance, and therefore reducing the risk in a calculative manner

Based on this proposed typology, the executives' definitions of trust could be considered contrary to the definitions used by Mayer et al., Hosmer and Bachmann that have primary characteristics consistent with genuine trust, and consistent with the hybrid definitions proposed by Gambetta, Dyer and Chu, Sabel, Ring and Van de Van, Barney and Hansen, Zaheer et al., Bradach and Eccles, and Rousseau et al. that incorporate both genuine and surrogate trust characteristics.

Summary

The purpose of this section was to build a trust typology which distinguishes between characteristics of genuine trust and surrogate trust, analyse definitions cited in the literature against the typology, and compare the results to the executives' definitions to consider homogeneity or heterogeneity of definitions. Genuine trust is a leap of faith[2], while surrogate trust is replete with safeguards, oversight and other risk reduction elements. Results from the analysis of the most widely cited definitions in the literature suggested that, although a few scholars tended to fall either in the genuine or surrogate categories exclusively, the majority supported a blended or hybrid trust that included faith and benevolence with reasonable safeguards. The key threads of continuity that emerged were the recognition of vulnerability to opportunism, the willingness to assume risk where absolute control over opportunistic behaviour was not possible, and the use of both genuine trust and surrogate trust (trust substitutes) in exchange relationships, where the reasonable use of substitutes is not perceived as damaging to the relationship, but rather is an appropriate measure necessary to build the foundation for maturing trust.

The definitions offered by the executive participants blend elements of genuine trust and surrogate trust. This is consistent with the majority of mainstream

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[2] I take the position that even if the relationship is built on a lifetime of friendship and knowledge of a person, there is still a leap of faith required to trust without safeguards.

definitions offered by the scholars in the trust literature. The MacSwiney definition favoured a more genuine/affective type of trust, while the Mainelli definition was calculative/cognitive in nature and therefore weighted toward surrogate trust. In general, however, it can be argued that trust for the executives is a weave of genuine and surrogate characteristics as it is defined in the business environment. These results support the hybrid trust definitions cited by scholars such as Dyer and Chu (2003), Sabel (1993), Ring and Van de Van (1992), Barney and Hansen (1994), Zaheer et al. (1998), Bradach and Eccles (1989), and Rousseau et al. (1998), and it has been demonstrated that the trust definitions reported by senior executives overlap with the concepts imbedded in the trust definitions appearing in the literature. It could be argued that a hybrid definition of trust might be confusing because it leads one to believe that trust means two separate things. The ease with which the executives blended both genuine and surrogate characteristics in their definitions would point to a contrary conclusion, and one that is consistent with the widely cited definitions in the literature. Based on their definitions and the many definitions in the literature, genuine and surrogate trust characteristics seem to be necessary complements in defining trust. Almost every researcher that explores trust in organisations declares a definition of trust at the outset of the study. The findings of this analysis introduce the perspective of senior executives and further support the validity of widely cited hybrid trust definitions that appear in the literature. Chapter 6 that follows continues the exploration of the nature of trust by analysing the dynamics of trust as reported by the senior executives.

CHAPTER 6: Dynamics of Trust

The purpose of this chapter is to understand some widely cited models that categorise the nature of trust, examine the homogeneity and heterogeneity of executive reports with the literature, and explore the potential dynamics of trust as a process by examining how trust is gained and lost in organisations.

Contractual/Competence/Goodwill Trust

It is suggested that building trust is a process sometimes made up of multiple interactions over time. Trust is grounded in specific behaviours that either build or destroy, and what might take years to establish could be quickly brought down with a severe betrayal (Lewicki and Bunker 1996). Implicit in the building or diminishing of trust is the presence or absence of ethical and moral behaviour respectively. Scholars have categorised different qualitative types of trust and levels of trust in an attempt to establish thresholds beyond which richer levels of trust are attained. Mari Sako (1998) studied the trust relationship between a customer and supplier in the automotive industry. She distinguished between three types of trust: contractual trust (will the exchange partner meet contractual obligations), competence trust (does the exchange partner have the ability to perform to the agreed terms and standards), and goodwill trust (will the exchange partner not behave opportunistically even when vulnerabilities allow for such behaviour). Based on these types, Sako identifies a hierarchy of trust, with a narrow set of conditions necessary to qualify as contractual trust, and a broader and more values-based set necessary to make the climb to goodwill trust. Competence trust falls between contractual trust and goodwill trust. Moving from contractual trust to competence trust and goodwill trust requires an increased exposure to vulnerability in a symmetric form, but not necessarily at the same time. It is assumed that, over time, the amount of perceived vulnerability will be approximately the same, but it may not be the same at all points in time. Few contracts are sufficiently precise or comprehensive as to fill all the vulnerability gaps and extinguish the role of trust.

Sako argues that opportunism safeguards operate at the contractual and competence trust level, and the value of trust is limited by the narrow requirements necessary to meet that standard. As the spectrum of trust broadens, so do the opportunities to glean value from a trust relationship. Like Ghoshal and Moran (1996), Sako finds that goodwill trust is associated with less tangible but equally valuable outcomes such as improved innovation, information sharing and learning. Unlike Williamson (1985), Sako focuses on the enhancers of trust, not the inhibitors of opportunism. When the high standards of goodwill trust are reached, the value of the relationship is increased. For Sako, limiting the value of trust to a mere calculation limits the possible outcomes of trust.

Weak-form/Semi-strong form/Strong-form Trust

Barney and Hansen (1994) refer to three distinct types of trust: weak form trust, semi-strong form trust, and strong form trust. Weak form trust is present when vulnerabilities or opportunities for opportunism present in an exchange are low. Semi-strong trust is associated with transactions that require some governance and controls to limit vulnerabilities and increase the costs of opportunistic behaviour. With adequate governance measures present the transaction can take place. This is the most common approach exercised by economists (Hennart 1988; Kogut 1988; Williamson 1985). For Williamson in particular, there is no room for trust considerations as he holds the contract to be the primary control mechanism for opportunistic behaviour. In Williamson's view, when contracts are created that efficiently govern all aspects of the transaction, trust becomes irrelevant and the exchange will take place under the terms of the contract. In contrast, Barney and Hansen (1994) find that trust emerges because exchange partners find it in their self-interest for economic and social reasons to not behave opportunistically. The third type of trust described by Barney & Hanson is strong form trust, which emerges when there are significant exchange vulnerabilities and opportunities for opportunism, but because of similar values and principles, the exchange partners move forward despite the risk. The values and principles may be derived from a variety of sources (Arthur 1989; Barney 1986; Dierickx and Cool 1989), but the connection between exchange partners allows the transaction to move forward. Unlike Williamson (1985), Barney and Hansen reject the notion that all exchange partners will act opportunistically, and that costly governance measures are necessary in every exchange relationship. In fact, their analysis suggests that the seeking out of exchange partners that will not act opportunistically allows companies to gain the advantages of trade without the cost of governance (Barney and Hansen 1994). There is no argument with the fact that certain governance mechanisms are in place as a result of the fear associated with opportunistic behaviour. Williamson (1993) has defined those mechanisms. If higher levels of trust in an exchange relationship result in fewer, less stringent and less costly governance mechanisms, wouldn't it make sense to seek out high trust (strong-form trust) exchange partners? And wouldn't the same be true for all exchange partners associated with an enterprise, including customers, shareholders and suppliers? For example, a fast-growing technology firm that is trying to build trust with shareholders decides to increase transparency by adopting XBRL (extensible business reporting language), which allows potential and existing investors to freely mine the company's financial statements. This one action signals a willingness to *open the books* to those with questions, and tells investors that the company has nothing to hide. This may result in additional investment from existing shareholders, and may be a key to attracting investment from potential shareholders. The economic benefit to the company is clear – by taking an action designed to build trust with shareholders, the company will potentially increase investment in the firm (and potentially take investment away from competitors). This is not to say that taking this trust-building action as the company is heading toward bankruptcy will make a difference, but it may make the difference in the mind of an investor considering investment among high-growth competitors. It is also important to note that building long term relationships might require repeated transactions to increase trust, and these actions are costly. Achieving strong form trust requires paying associated costs. For example, in the XBRL case, there are costs and risks associated with these kinds of actions, such as the costs of the software and personnel to keep it updated and the risks of sharing information in a competitive environment. The risks and benefits might be different for each individual situation, but if the action taken is in direct response to a known trust-building requirement (such as transparency for investors), the benefits to the organisation could be significant.

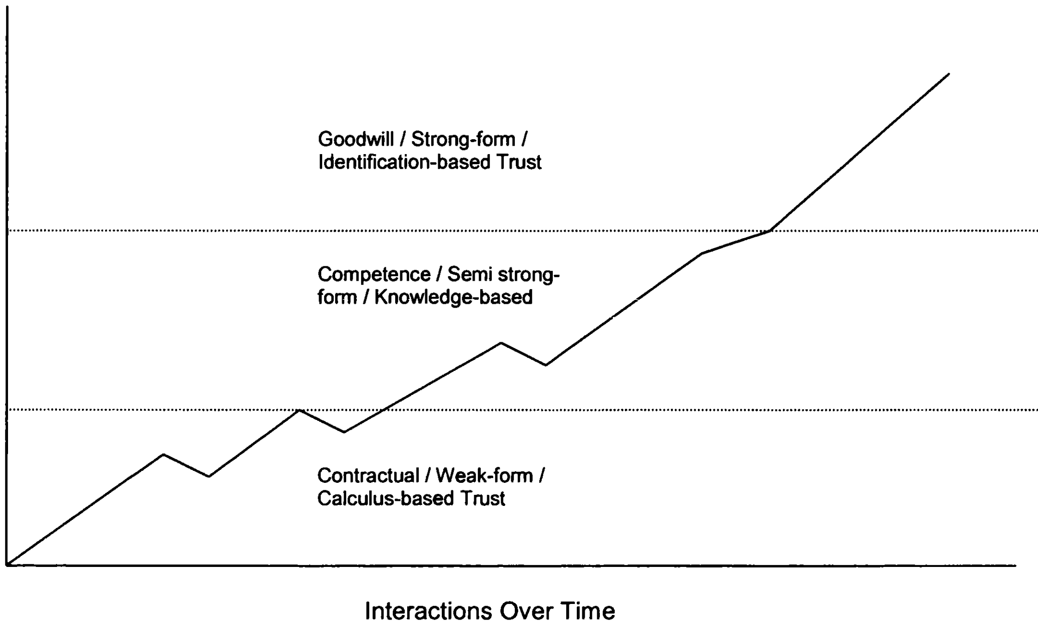
Calculus/Knowledge/Identification Trust

Like Sako (1998) and Barney and Hansen (1994), Lewicki and Bunker (1996) theorise the existence of three distinct types of trust: calculus-based trust, knowledge-based trust, and identification-based trust. This falls into the realm of cognitive based trust as well (Costigan et.al. 1998). Calculus-based trust is characterised as trust generated more from the fear of punishment than from the rewards associated with trustworthy behaviour, although both are present. According to the researchers, the short-term gains from being dishonest must be balanced in a calculated way against the long-term benefits of maintaining a good reputation (Lewicki and Bunker 1996). Here, reputation is used as a hostage to ensure trustworthy behaviour, and the threat of deterrence is paramount. Knowledge-based trust is a more mature type of trust associated with predictability of trustworthy behaviour rather than deterrence against untrustworthy behaviour. Knowledge-based trust is earned over time through multiple interactions, resulting in a richer understanding of the behaviour patterns of exchange partners. There is an active courtship that takes place where communication and monitoring of performance leads to more information regarding the intentions of exchange partners, resulting in a determination of the strength of the parties working relationship. Identification-based trust is the most mature level of trust. Exchange partners that achieve this level think like one another such that they can act on one another's behalf. They are committed to the same goals and can accurately predict each other's needs and behaviours as a result of multiple interactions, shared values, and desires. Although not expressly mentioned by Lewicki and Bunker, identification-based trust could lead to disastrous consequences if the parties have ill intentions. It is assumed that the leadership of Enron, for example, relied very heavily on identification-based trust as they corrupted the organisation into bankruptcy.

Evolving Trust

Sako (1998), Barney and Hansen (1994), and Lewicki and Bunker (1996) describe different types of trust that are distinguished by ascending levels. Companies move through these ascending levels by performing multiple trust-building interactions over time. Not every interaction will build trust – some may diminish trust. Lewicki and Bunker (1996) acknowledge as much by stating that some relationships may never move out of calculus-based trust, particularly if there is a violation of trust early in the calculus-based relationship. However, even the interaction that results from the conflict associated with the breach of trust has the capability of strengthening bonds (Sennett 1998:143). The evolving trust relationship is represented by the interactions over time in Figure 1. Like climbing a mountain, the terrain is rarely a smooth gradual slope leading to the top; the undulations vary in steepness, and different relationships reach different levels with more or less rapidity. Lewicki and Bunker use the analogy of the children's game *Chutes and Ladders*, where multiple steps are necessary to climb, but landing on a single chute can take you several levels down in one move, or possibly down to the bottom. A violation of trust, depending on the severity, could have the same effect; what takes repeated interactions to build could be diminished or destroyed with one wrong move. Minor violations may be recoverable if exchange partners are operating in the middle tier or top tier of the trust hierarchy, but those same violations could cause severe (perhaps unrecoverable) damage to relationships still operating in the bottom tier. Major violations of trust could even cause a tumble from the highest level of the hierarchy to the bottom, depending on the severity of the violation and the status of the relationship. It is also possible that certain trust relationships could develop very quickly, where just a few interactions in a short period could build high forms of trust.

Figure 1. Evolution of Trust



For Sako, there is contractual, competence and goodwill trust; for Barney and Hansen, there is weak-form, semi-strong form and strong form trust; for Lewicki and Bunker there is calculus-based, knowledge-based and identification-based trust. There is some question regarding the benefits of the types of trust in the lower two-thirds of the hierarchy; by their nature, the threshold to reach them is not high, and therefore more exchange partners can attain those levels. In fact, as Lewicki and Bunker (1996) point out, some relationships may never evolve beyond the lower levels of trust for several reasons, such as: (a) the relationship only requires arms-length transactions, (b) the interdependent relationship between the parties is heavily bounded and regulated, (c) the parties have already gained enough information about each other to be aware that further diligence is unproductive, or (d) violations at the calculus-based trust level have taken place. Part (c) is particularly noteworthy. It says that after a certain point, continuing to gather more information and build additional trust is likely to be unproductive. This idea may be interpreted as if there are *diminishing returns to trust.* In other words, it can be said that more trust is not necessarily better in an organisational setup. I refer to this as Hypothesis 1 that will be validated/ rejected in Chapter 9 of this thesis based on executive reports.

According to these widely cited studies, where trust seems to provide the greatest benefits to exchange partners is in the upper third of the hierarchies, which are described as goodwill trust, strong-form trust and identification-based trust. To achieve that level requires investment – trust is not free. However, the benefits to exchange partners operating in the upper third could be significant, providing a return on the investment made to get there. Whether in the form of improved innovation and learning (Sako 1998), less costly contractual and governance mechanisms (Barney and Hansen 1994), or creating joint projects and collocating to economise transactions (Lewicki and Bunker 1996), trust can potentially provide competitive advantages and economic benefits.

While thus far we have mainly discussed the evolution of trust, it is also important understand how distrust might evolve between transacting parties. Reina and Reina (1999), for instance, explain how distrust leads to further distrust in a self-fulfilling way:

1. *Action observed*: A manager observes a questionable action by an employee.
2. *Assumption made*: The manager forms a negative assumption about the employee's behaviour and the employee.
3. *Protective action taken*: The manager behaves in self-protecting ways to safeguard herself from possible betrayal.
4. *Action observed*: The employee observes the manager's self-protective action.
5. *Assumption made*: The employee forms a negative assumption about the manager's behaviour, concluding that the manager is untrustworthy.
6. *Protective action taken*: The employee behaves in self-protecting ways to safeguard himself from possible betrayal.
7. *Reinforced assumptions made*: The manager believes the employee's behaviour is untrustworthy. This reinforces the negative assumptions she originally made regarding the employee.

Trust and Actions

Burchell and Wilkinson (1997) studied the actions associated with exchange partner trust. The actions were analysed and found to fall into three broad categories: contract adherence, flexibility beyond contract and flexibility outside contract. I am suggesting that these action categories could correspond to the forms of trust proposed by Sako (1998), Barney and Hansen (1994) and Lewicki and Bunker (1996) where contract adherence are activities that build contractual/weak form/calculus-based trust, flexibility beyond contract are activities that build competence/semi-strong/knowledge-based trust, and flexibility outside contract are activities that build goodwill/strong form/identification-based trust. "There is a set of actions associated with contract adherence (paying and delivering on time, maintaining high product quality at all times, preserving confidentiality, ensuring the relevant standards are complied with and honouring strictly the terms of the contract). There is also a set of actions associated with flexibility. These divide into action directly related to business activity (being ready to exchange business information, honouring informal understanding and being ready to renegotiate the terms of contract at any time) which can be seen as filling in the interstices in contracts, or in other words as flexibility beyond contract. The third set of actions is more social in origin (being ready to help in an emergency, being prepared to give and take and being willing to overlook occasional faults) which can be regarded as flexibility outside contract." (Burchell and Wilkinson 1997: 226-227) It could be argued that a willingness to engage in these sorts of actions are indicative of the level of trust in which the exchange partners operate. For instance, delivering a product in a timely manner consistent with the terms of a contract may build trust at the lowest level, but simply adhering to contractual terms will not necessarily elevate the relationship to the higher levels of the trust hierarchy. There are specific, definable actions (behaviours) that can be taken to build trust, and presumably there is some outcome from these shared experiences that can elevate the trust relationship over time. Burchell and Wilkinson provide examples of these actions, and there are probably additional actions that build trust (and others that diminish trust). The qualitative trust categories described above and their corresponding activities are presented in Table 4.

Table 4. Qualitative Trust Categories and Corresponding Activities

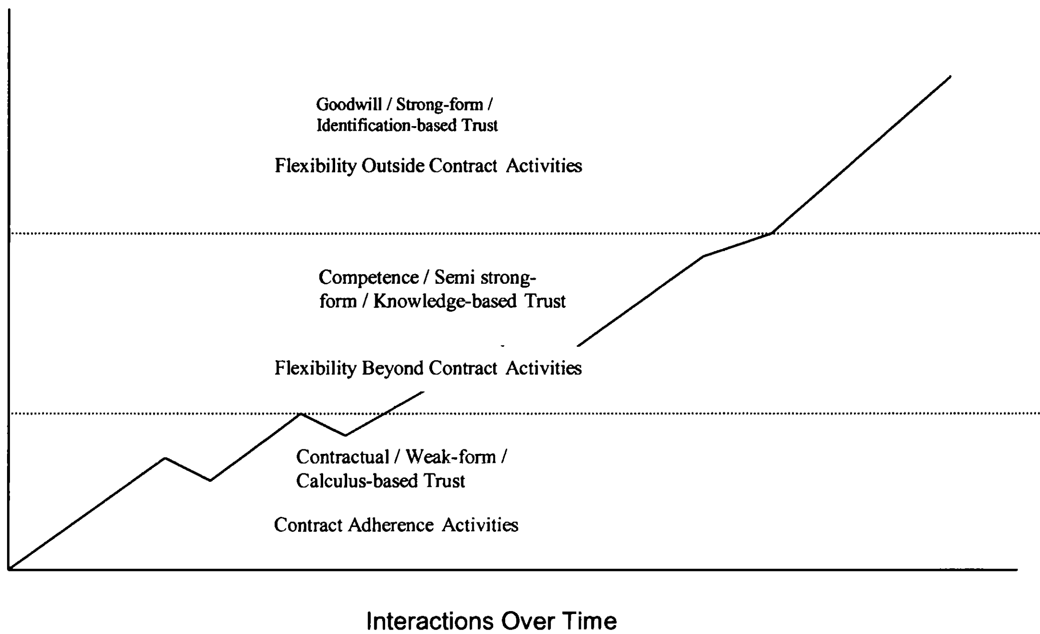
Qualitative Trust Categories	**Corresponding Activities**
Contractual Trust Weak-form Trust Calculus-based Trust	Contract Adherence Activities (paying and delivering on time, maintaining high product quality at all times, preserving confidentiality, ensuring the relevant standards are complied with and honouring strictly the terms of the contract)
Competence Trust Semi strong-form Trust Knowledge-based Trust	Flexibility Beyond Contract Activities (being ready to exchange business information, honouring informal understanding and being ready to

	renegotiate the terms of contract at any time)
Goodwill Trust Strong-form Trust Identification-based Trust	Flexibility Outside Contract Activities (being ready to help in an emergency, being prepared to give and take and being willing to overlook occasional faults)

Of particular interest is the possible interdependence of trust types, where contract adherence, flexibility outside contract and flexibility beyond contract are inextricably linked (Burchell and Wilkinson 1997). It may be that simply adhering to the terms of a contract isn't enough to sustain business relationships, but rather the success of the relationship is intrinsically linked to the expectation (and/or demonstration) that higher forms of trust are possible as well.

Placing the corresponding actions into the trust over time model described earlier results in the following Figure 2, where the actions performed cause a ratcheting of trust up and down through different qualitative categories over time:

Figure 2. Evolution of Trust with Activities



Executive Reports

The assertion that trust is a process that ascends and descends through actions was explored with each of the executive participants. The intention of the line of questioning was to see if the concept of *trust as a process* would emerge, and to determine the actions (as reported by the executives) that cause trust to increase and decrease within their organisations.

Doug Richard was immediate in his assertion that trust is a process, but later qualified that statement by pointing out that it wasn't a continuous flow process. He began his explanation of the process as follows:

"I believe trust is a process, but I believe it is a process that begins with faith. And that's an interesting issue. Do I invest in an unknown...in another person...my faith, that they will do something that can help me and not hurt me? At some point trust is earned, that's why it is a process. Trust is earned in lots and lots of ways. I am firmly of the belief that you start by never saying anything at all that you will then not precisely live up to. As a stranger, you have to start with credibility, and credibility can be quickly proven. Trust is not necessarily quickly gained, but I think credibility can be quickly proven. As the CEO of a company, you are immediately forced to make endless decisions – that is what you do all day long, you make judgment calls on things, because they don't get to your desk unless someone wants you to make a call. So you start with credibility. Trust is a frame of mind. Trust is an active thing I am projecting toward you. And in order to get them there, you have a process of getting them trusting. When I say it's a process, it doesn't necessarily mean it's a continuous flow process. In my mind, credibility is a base currency. Trust gets ratcheted... and it gets ratcheted on the back of credibility. If you want someone to trust you, or if you want to increase the level of trust they have in you, you must perform acts that are seen by the person that you're aiming them toward as inspiring in them a step up in their willingness to trust."

In referring to building trust, he is acknowledging that it is not always a constant flow of one-way trust moving upward. The ratcheting metaphor leaves one with an image of trust as a moving object that is forced up and down a continuum. There must be a constant process of give and take between the trustor and the trustee, trading vulnerability for reward. Building trust requires fuel comprised of intentional trust-inspiring acts.

Richard struggled to understand the qualitative nature of trust:

> "There is trust and its consequences, but there are not different types of trust. The trust is the same. Whether you abuse that trust or not doesn't change the character of the trust. It changes the consequences of the trust. There is just trust - either I trust you or I don't. And it's either I'm trusting you more over time or less over time, and I would assert that it is a step function. Meaning that it kind of cruises along at a certain level once it's been established at that level until activities make it change... either it steps up or it steps down. You could think of it in engineering terms. There must be a forcing function for step phase change...there has to be some function, some activity, that forces a step up or a step down."

During his response to the dynamics of building and losing trust, Richard used banking metaphors that placed the subject in an interesting frame.

"People in a position of power have to give trust in order to get it back - thus earn the trust of those below them. As a CEO, I have to show that I trust if I ever expect people to be empowered and to act in a way that makes them fully enabled to get things done. Equally so, trust has to be earned in that one has to act in a trustworthy fashion. That is to say, if one does something and then lives by it, then you earn a point of trust. If one does something and doesn't live by it, then you not only lose that point of trust, you actually go into a position where it is binary - it takes much less effort to create distrust than it does to create trust. And, in fact, the cost of creating trust is a consistency of activity that is rarely or never broken. Trust is a currency between people. Trust is a matter of coin that is exchanged between them and what makes it unique is the total amount of coin available can be increased by acts of trust. Once a sufficient amount of trust is built up, you can make a mistake and recover trust – there is a bank of it. I think trust is built in organisations by starting with an assumptive, positive account on all party's behalf. Therefore, everyone should start with a credit account, not with either a neutral or negative account, and then they either betray the trust or they can build on it. You have to assumptively put the entire organisation in a position where it is believed that everyone is trusted by each other and you act according to that. People build trust with me by acting in a trustworthy manner so that I can see that there is a consonance between their activity and the trust I

> repose in them, so that then what essentially is a loaning of trust becomes a credit account of trust."

Trust as currency is an interesting concept, as is the notion that it takes much more effort to build trust than to lose trust. For most, it is also easier to spend money than it is to earn it. I don't believe that Richard is saying that we consciously keep track of pence and pounds of trust, but rather that we keep this general idea of how much is in the bank and know exactly what is affordable and what is not. In order for trust to grow, there must be some seed capital that is invested in the relationship so everyone starts with something to build on.

According to Richard, there is either more or less trust in a relationship based on the interactions between trustor and trustee. Similar to Lewicki and Bunker's (1996) assertion that there are limits to the value of building trust, he adds a new dimension to the trust dynamic by introducing the paradox that the higher the trust, the greater the vulnerability and therefore the greater the chance for the perception of untrustworthiness. In a sense, his perception attests Hypothesis 1 proposed in Chapter 9 that more trust is not necessarily better. Since higher trust leads to greater vulnerability, parties may not opt for attaining higher trust.

> "Trust is diminished in very simple ways. People are empowered and take advantage of their trusted position and then do not live up to that trusted position. So, what is interesting about that is the more you trust someone

> (the more you invest or handover to them coins of trust), the greater their account becomes, but the greater the potential for them to be viewed as untrustworthy. And the higher you build it, the higher the potential to fall, and therefore, the more you trust someone, the more...essentially the more exposed you are to them."

Consistency of action is vitally important in building and maintaining trust. Consistent with the results of the trust definitions analysed in the previous chapter, in addition to the faith associated with trust, there is also a need for balanced oversight according to Richard.

> "Everyone who is in a position of leadership has to a) earn trust by acting consistently; and b) display trust by assuming that activities are being done in a way in which you want them to be done. It lets people feel trusted but at the same time there has to be a very watchful eye on anyone who does not act that way and immediate steps need to be taken at the earliest possible point of intervention because it takes very little to destabilise a small company's culture assuming somebody acts in a way that is not consistent of that philosophy."

Much like Doug Richard, Martin Rigby described the trust dynamic as a series of interactions that either increases or decreases trust in the relationship.

> "Trust is reinforced by the fulfilment of commitments that are being made by previous trust relationships. I don't think we should underestimate the iterative effect of the exercise in trust. I trusted you yesterday to do something or to meet a commitment and you've done it. I trust you again. You do it again. You reinforce the trust. The success of the iterations does reinforce the trust. In other words if you trust, trust, trust, and then the partner lets you down in a small way and not in a big way, you deal with it and then the trust is diminished. Trust builds again as that partner fulfils obligations, and then they breach, but I do think the iterative nature of trust is important."

Another consistency between Richard and Rigby is the challenge in comprehending qualitative hierarchical categorisations of trust. He finds the hierarchical categories too convenient in that they don't reflect the reality of business relationships. It should be noted that during this part of the discussion, Rigby drew a quantitative hierarchical graphic on a white board going from low trust to high trust. I chose to explore his perceptions of qualitative labels by writing Sako's (1998) contractual, competence and goodwill representations alongside Rigby's labels. This was a completely organic evolution in the discussion and resulted in the references below to "competence" and "goodwill".

> "I do feel that these are quite difficult areas to map on the same axis. They are qualitatively different. You can respect somebody's functional

competence but never want to do business with them. To some extent I may refer it to goodwill but there is no emotional commitment. You probably wouldn't want to risk doing business with some people because you know how competent they are, but you also know they are a shark. There are other people that you really like and would loan a hundred quid and not expect to get it back perhaps because you've got goodwill towards them. But you'd probably never do a venture capital transaction with them. Because they are those sort of people. Lovely people but useless. So I'm not sure that these belong on the same scale - so closely related to be on the scale. How do you map onto this the fact that I've got this entrepreneur and like him - I have confidence in him but I know he's under a lot of personal pressure - financial, his wife, and that may cause him to be less and less reliable business partner going forward. He may look to read the fine print to see whether you can get out of this. In some ways this is moral judgment on the individual."

According to Rigby, there are too many situations that occur in organisations that contradict clean models of hierarchical trust categories.

For Rigby, the notion of vulnerability is critical to the genesis of trust, and the contract provides sufficient ambiguity to create this vulnerability.

> "The nice thing is it is about ambiguity. One of the useful things about contracts is their ambiguity. A bit of vulnerability, so that the other party can see that you don't exploit the vulnerability and to the contrary maybe you give a bit, maybe you are in support a bit. You have to seed some vulnerabilities or some opportunities to see whether you can get some trust feedback."

Communication in the venture capital business is of paramount importance. Venture capitalists invest other people's money in multiple operations, and close oversight of those companies is not possible. The venture capitalist therefore relies on clear and honest communication from the CEO to gauge how the company is performing. It is therefore not surprising that Rigby points to the quality of communication as the primary driver of whether trust in a relationship is growing or shrinking.

> "The most obvious thing you do, as a manager, is you communicate with your own VC. You aim to try and communicate with them. Good entrepreneurs who are good at being able to trust and trying to engender trust, are people who get you in and explain to you what's going on, and trust you to take bad news as well as good. First of all, good communicators. Secondly, I think the worst thing in the world for a VC, in particular, is to feel that they are being manipulated into making a decision on partial information because there is a predetermined agenda rather

than because you are actually being asked to take part in the decision making process. I think it's diminished by poor communication and I think poor communication can be too little communication, inept communication, and misleading communication - communication which is designed to mislead - an impartial communication. The most trust eroding is the last of those. The rest of those you can write off as being cavalier or too busy, so it's a marginal erosion of trust. The second is probably functional where they have to learn to express and communicate their ideas.....competence based. The last of those is absolutely getting to the heart of trust - you are being manipulated rather than - this is no longer a relationship of trust. This is a relationship of you are the schmuck who is going to do what that person wants you to do whether you like it or not and you are not trusted to take the truth and respond as they would like you to respond and modify that response through dialogue. Instead you have to be manipulated into responding which is an absolute - manifestly breach of trust. There can be no trust if you are being manipulated - manipulation in a sense of either partial truth or downright disinformation - lying. I remember one adage. We had a moment where we were challenging one of our investees, a very nice guy and very trustworthy. I do remember him saying to one of our chief executives at a board meeting, 'Steve, just remember to always tell the truth, nothing but the truth, but not necessarily the whole truth'. That is a very fine line. Even if you push that too hard you know you are eroding trust."

The categorisation of the type of transgression is of particular interest. Not communicating enough or in an ineffective manner may erode trust, but outright manipulation can destroy the trust relationship. The former can be attributed to a lack of competence, while the latter is an intentional act of lying. Interestingly, Rigby is not comfortable categorising trust types, but he is comfortable in categorising types of transgressions. This calls into question his rejection of qualitative representations of trust. If he is comfortable assigning qualitative labels to transgressions, it would seem he would have comfort, perhaps with more familiarity, in accepting qualitative trust categorisations as well. One might also presume that the interviewee is developing his own understanding as he answers questions and will therefore be more sophisticated at the end of the interview than he is at the start.

Like Richard and Rigby, Michael MacSwiney relies on seeds of vulnerability to start the trust relationship.

> "The first way to build trust is to trust other people. If I trust you to do something, and I trust you and you and make it clear that I trust you people. If I make myself vulnerable to you, you will eventually trust me in general. If you make yourself vulnerable to people, they are more likely to...trust is more likely built, and they are more likely to make themselves more vulnerable to you. Be very open. Trust everybody until you have

> cause to distrust, and I think it is quite good. You meet some people in business who say 'I never trust anybody until I've got cause to trust them'. I trust everybody until I have a reason to have distrust."

Trust is then built up over time by empowering and supporting, particularly in time of trouble. According to MacSwiney,

> "This office built trust with its employees by trying to treat them fairly and giving them authority to delegate and supporting them and backing them in front of a client, broadly backing your people. That's I think how trust happens here. Have an environment where, if a person admits a mistake, or comes to you and says they've made a mistake, you don't crucify them; you help them. That is the most critical. If a person says they've got a domestic problem or they've got a financial problem, they expect and come to assume that you will be trying to help, not that you will be trying to harm. I think that's where trust comes from."

Consistent patterns of behaviour that demonstrate trustworthiness, such as protecting vulnerable clients, can have great benefits for building trust inside the organisation. The following example from MacSwiney illustrates behaviour consistent with the highest forms of goodwill and identification-based trust.

> "Let me tell you something else about the way you can build trust. There has been a client of this office for some years - small client, not important, and they got into extreme difficulties. Somebody has died and the business has gone bust. They are no longer any good as a customer - we are never going to make any money off them. If my staff sees that I go out of my way to help that individual, they are aware that I've said 'forget about the fees - you've been a good customer for five years', even if they've been a small and not important one. If they see that, they see that's the behaviour pattern. What's the message within the business? It's trust, because the bosses have not ditched a customer, who is no longer any use to them, they've been loyal – they've supported them and looked after them. So what has your staff learned from that? Maybe that is the way we are going to behave. Maybe we'll be looked after the same way. The reason for doing it, beyond the fact that I happen to think he has good manners and is correct, is that it creates staggering good-will because other people will have spotted that situation where you've worked for nothing."

Like Rigby, MacSwiney sees communication as a key driver of building or diminishing trust. What seems common practice, such as exaggerating the performance of products in marketing literature, can have deleterious consequences on trust in the organisation.

“The greatest dishonesty in the world is telling an untruth - it’s fundamental to everything. It is the key crime - a lie is the key crime. It underlies every form of dishonesty - it's the issue. Whether the lie is to you or to a third party, that's a very big step in a breach of trust and within a company if there is a culture of dishonesty and not telling the truth to the managing director, ‘everything is alright - yeah, we've got that deal signed - sales next month look as good as last month’, the mode begins to become a culture of part-truths, half-truths or straight dishonesty as expedience. Something is going wrong within your business because basically your message is getting distorted. Yet, in many businesses, in a way that culture is encouraged and it's encouraged with your marketing department to put out literature which doesn't just sell a product but conveys a false impression on the product or the capabilities. Once you’re putting that out as a story and you know it's dishonest and your people know it's dishonest, and people just look at it as a spin for advertising, you’ve begun to take the step, and so the culture has begun to be there within the business, and that begins to become a slide. If you are slightly second rate, maybe the only customer you can get is somebody who is a bit marginal, a bit crooked, somebody who will turn a blind eye - all I want is an accountant to turn the blind eye or a banker who will turn the blind eye or a lawyer - you don't mind a bit of back dating do you? I need your help sometimes with documents. So you are slightly second rate – a nod is as good as a wink. That's the beginning of the slide. So, it's because people are doing things that are very slightly second rate, and you get sucked in."

As proposed in the literature and supported by the executive reports, trust and safeguards can be complementary in helping trust mature. However, too many restrictions placed on businesses can have negative consequences for building trust. The safeguards put in place to protect the customer certainly reduce the risk associated with the transaction, but taken too far they restrict the ability of the organisation to build trust. This observation by MacSwiney is quite similar to the findings of Chan (2003) that actions that are needed to build trust may actually decrease trust since those actions would be taken as a signal (Six and Sorge 2008) that the management does not trust the employees. This also seems to support the concept forwarded by some scholars (Lewicki and Bunker 1996) and the other executives that it is more difficult to build trust than to lose it. MacSwiney uses his own profession's circumstances to make this point.

"In an office like this we do advise in theory, but no advising takes place. It is illegal for me to tell you, as a client, to give you any advice on your investments - it is illegal. It's criminal offence. The only way I can advise you, as a customer, you as a 90 year old widow on your investments, is to say 'I haven't put 90% of my money in a Chilean tin mine. I dealt with my portfolio differently. It's not for me to tell you that it is incautious to have 90% of your money in a Chilean tin mine.' I am not authorised to express

> an opinion. The only person who is authorised to express an opinion is that stock broker; the crook who put you in there in the first place. It has become an absurdity.....so a client/professional relationship is gone. People have always grumbled about accountants, lawyers, and people to an extent. There was a day when by and large if you went in to accountant or lawyer's office, the man sitting behind the desk was going to do his best for you. The professional relationship, as with a doctor, implied that the professional's first concern was the client, the patient, or the customer. That was the first concern for which, incidentally, they normally succeeded in making a very good living as a professional person. But their first concern was for the client. It is an unfortunate reflection now that the first concern of many lawyers, many accountants, many bankers, many doctors is the amount of money they can make. The second is avoiding risk through negligence. Concern for the client is now coming a bad third."

Like the previous executives, MacSwiney uses financial transaction dynamics to describe trust and goodwill that is built-up over time and then is spent when transgressions occur. There is a consistent theme running through the executive responses of having an account of trust that is drawn upon consistent with the cost of the transgression. MacSwiney became quite agitated as he gave the following example.

"If you are put in as the managing partner of any business - you are the boss of the business, it is very easy to produce short-term performance. Short-term performance is created by cutting costs and upping charges. Now you can do that in a professional office. Somebody could come into this office and over the next 12 months vastly increase the profitability. Freeze all salaries, unload one of your weaker members of staff, up the charges to the customers, downgrade the service, and this office will make more money next year, the year after, and probably the year after that. As the experts are brought in, 'I want a bonus, based on the turnaround - I get a vast bonus because look what we have achieved'. What I have done has made money by burning trust, by burning good-will. I have behaved improperly to my staff. I have robbed my customers. Customers do not move that fast. They don't move from banks fast. They don't move from dentists, doctors, lawyers or accountants fast. They don't move a lot. So, you can cheat them quite badly before they move, but you can't get them back again. You can't put a sign up and say we are no longer exploiting. We are no longer overcharging. We are no longer giving lousy service. We are in a culture where ruthless people are respected. I have seen it, and there is one going on with a major international firm of lawyers - that pins it down to one of seven, where they are butchering all their provincial practices at the moment in pursuit of huge international deals. The managing partner is a bachelor; he's completely ruthless. He's on a fast earnings - he works day and night. His only interest is making more money. Partners are getting their throats slit, being paid off, retired. Offices are being closed; the business is being quietly destroyed. Profits are soaring. What is very said is that his profit motivation, his benefit doesn't link to his pension in ten-years-time because it's the decisions you make in the professional practice today that affect the value of business in ten years. Any ruthless shit can squeeze profit out of a business. The trouble is, we live in a fashionable society where the ruthless shits are being supported. Good-will and trust are very close - honesty, integrity, good-will, trust - very closely bundled together, and very unfashionable."

Contrary to the other executives, Michael Mainelli makes no mention of vulnerability seeding the trust relationship. Instead he points to expectation meeting reality as underpinning the trust relationship from the start.

"We are typically seen to be exceedingly prompt in terms of introducing people and following through on what we say we are going to do. The idea there is to engender trust by making sure the expectations meet the realities - so that we will tell somebody we will do something in five days and hopefully it's done in five days. That is the way of creating trust. That finds its way through the organisation the way we teach staff to manage customers. They are told to never overpromise, but to make promises and keep them. We are exceedingly clear about when you are going to deliver something and deliver to that and don't kill yourself because it's what the client wanted to hear – 'yes sir, I'll do it tomorrow', when you had no chance to finish it tomorrow. It's the wrong attitude. That's kind of an obvious statement, but that's probably the level at which trust is managed here. Trust, in terms of selling to people, trust starts right up front. When they meet a sales person and they tell you they are going to have a proposal to you tomorrow - if they don't have the proposal to you tomorrow, whether you need the proposal tomorrow or not is irrelevant; they shouldn't have said it if they don't deliver it, because the expectations don't meet reality."

Scott Charney from Microsoft echoed similar sentiments. Like Mainelli he asserted that building trust is about managing expectations and delivering services and products consistent with those expectations.

"I'm a big believer that there is perception and reality and you have to achieve both. It's transparency, it's integrity – doing what you say you are doing to do, and making sure that the expectation meets the reality."

Nicholas Baring looked to consistency of behaviour, commonality of background and close working relations as the seeds of growing trust, although simply seeding trust was no guarantee of outcome.

> "Essentially being consistent in behaviour builds trust - being consistent was an important aspect to it, and by not setting out to be cleverest financiers on the block. In the corporate finance world I think the best service a merchant bank could provide its clients was by advising them not to do a particular transaction whereas today the emphasis is all on doing the deal. You could stand back and say 'I don't think this one is right for you'. I think we found it easiest to do so (build trust) where they were recruiting people who would, in their mind, have the right background qualifications, which were in fact rather different in the case of the merchant bank and the insurance company, but in both cases there is a shared idea of what would make the right sort of recruits. Employments back at the archive of Barings, which is a very rich one, you'll find phrases like 'a capital fellow' and 'right sort of man'. Shared background, shared interests, recommendation from a known party - from trusted parties - then keeping very close to each other. Working in common offices – a concept of the partner's role where people would be engaged in completely different businesses but you could sense even if you weren't listening in for a full conversation, you would pick up the company quite quickly that something was going adrift. That was interesting because that was, in a sense, sort of informal control."

According to Baring, the most trusted individuals in the firm needed greater controls than the firm was prepared for in order to carry out their responsibilities –

and the results were disastrous. Consistent with Weber et al. (2005), Baring told the following story where he tried to replace his anxiety associated with dependence on a single person in charge at the Singapore office and poorly understood processes with trustworthy individuals with whom he was very close.

"In the particular case of Barings, [trust] was one of the factors that led to the firm's problems in the mid-90's. After the big bang in 1986, the financial structure around the stock exchange changed in London and a much freer form North American style was introduced. A lot of ownerships changed the businesses and they moved from being partnerships to being subsidiaries of much larger groups. In the particular case of Barings they continued essentially in the same form as before but acquired some new elements for which it did not have the same tradition or perhaps the same long-term approach in their business. We were looking for shorter-term rewards and the particular problem was the well tried and trusted members of the firm were being asked to control businesses which they had little previous experience of and didn't really understand. So that, putting it in a very crude, however, simplified way, explains why an individual in Singapore in a relatively lowly position in the firm was able to bet the bank.

I think we were incorporating part of a business model which had really grown up in the United States. I think, again, with the benefit of hindsight, we took on the system of rewards – of individual rewards related to performance - without bringing in the controls which were a necessary complement of that.

I can remember even the last part of 1983 and 1986 and 1989 when I left Barings, this was already becoming apparent and there were some individuals there who - I think we all recognised that they could make a big contribution to the business but they needed an underpinning of controls, and I think that the firm just failed to find the right way through to that control system. It was a different relationship and it was felt that by introducing some of the trusted figures into their part of the organisation one could achieve the similar knowledge. There were some definite cavities in the organisation – a hollowness - where it was thought that because (trusted individuals) were involved that they would keep an eye on things, but it wasn't always happening - so assumptions were made about the degree of control that there was in many ways."

Controls or safeguards are meant to protect from wrongdoing, and in placing them there is recognition that one cannot be completely trusted. But Baring purposely placed some of his most trusted individuals (in Sako's term, those with goodwill trust) into an environment intending that their presence would minimise risk. Instead they watched as the company took a downward slide that resulted in bankruptcy.

Analysis of Responses

It could be argued that trust is too diffuse a topic to be worthy of consideration in transactions (Williamson 1985), or that trust is not a process of interconnected causal relationships influenced by performing specific actions. Contrary to these arguments, the executive reports demonstrate homogeneity with the literature that suggests trust is a process where performing particular actions can cause a gain or loss of trust over time. Several of the respondents agreed that trust ebbs and flows based on the actions of the trustor and the trustee. For Richard, the process of building trust starts with establishing credibility based on good judgment and keeping your word. Trust then gets "ratcheted" up or down on the foundation of credibility, and is earned by acting consistently and trusting others, and punishing acts of transgression immediately. At the same time, Rigby and MacSwiney point out that withholding punishment when it is available is an effective way to build trust as well. This is consistent with Chan (2003). The distinction here is that withholding punishment may build trust with the transgressing party, but may also result in lost trust with those other constituents including employees that did not transgress. The process of ratcheting up and down is not equally weighted – according to Richard it is much easier to lose trust than to gain trust. This is consistent with Lewicki and Bunker (2006), where the cost of transgression is greater than the benefit of trust building behaviour. The concept that building trust is a process is critical as it implies that trust is constantly moving – trust is not inherent in transactions, and there is not necessarily a single event that will create indefinitely sustainable trust.

If trust is perceived as a process, there must therefore be initiators that start the process and actions that increase or decrease trust over time. Consider the similarities among some of the executive reports when they described the actions they take to "seed" the trust relationship. These initiators of trust are presented in Table 5.

Table 5. Trust Initiators

Executive	**Trust Initiators**
Doug Richard	-Initially accept a vulnerable position -Give trust to get it back -Assume people are trustworthy and start everyone off with a positive account -Invest some 'seed capital' in the trust relationship to see if it grows
Martin Rigby	Seed some vulnerability to see if you get the trust back
Michael MacSwiney	-Initially build trust by trusting other people -Make yourself vulnerable -Trust everyone until you have a reason to distrust

Although seeding the relationship with vulnerability was seen by many executives as important to starting the trust relationship, Baring's experience demonstrates the negative impact of assuming that trust will come back. It needs to be pointed out that the risks associated with making oneself vulnerable may not always be worth the perceived benefits of the potential for increased trust. If demonstrations of trust must include making oneself vulnerable from the outset of the relationship, there must be corresponding safeguards to make the transaction risk manageable in a business context. This further supports the concept of hybrid trust operating in organisations that was described in Chapter 4 of this thesis.

We will now consider the actions described by the executives that increase or decrease trust once the trust relationship is established. The various actions described by the executives and the reported consequences are presented in Table 6.

Table 6. Actions and the Consequences to Amount of Trust

Executive Reported Action	**Reported Consequence to Amount of Trust**
Acting in a way where there is consonance between the response and the trust reposed	Increases trust
Acting consistently	Increases trust
Immediately punishing acts of betrayal	Increases trust

Communicating clearly and honestly	Increases trust
Providing strong support, particularly when most vulnerable	Increases trust
Being transparent in actions	Increases trust
Meeting expectations with reality	Increases trust
Having a shared background	Increases trust
Maintaining close working relations	Increases trust
Withholding punishment when appropriate	Increases trust
Not meeting requirements of trusted position	Decreases trust
Too little, inept or misleading communication (lying)	Decreases trust
Relying on restrictive policies that don't allow for risk and shared vulnerability	Decreases trust

The executives could point to these actions as those that they have used or experiences that either increased or decreased trust in their business relationships. The cause and effect of performing these actions were very clear in the organisational environment -- trust moves up or moves down over time depending on the actions taken. For the executives, trust is considered an active and important process initiated and controlled by the actions and perceptions of the transacting parties. This is consistent with widely cited trust literature.

Rigby's assertion that building trust takes precise coordination of partners is supportive of Ferrin et al.'s (2008) concept of spiralling relationships of perceived trustworthiness and cooperation.

Rigby and MacSwiney both had experiences that led them to the conclusion that withholding punishment when it is an available option in times of trouble can actually build trust. This is supportive of Chan (2003), Six and Sorge (2008) and Gill and Butler (1996). Doug Richard pointed out that another way to build trust is to swiftly punish transgressors. These apparent contradictory statements could be the result of Rigby and MacSwiney referring to building trust with the transgressor, while Richard is referring to the trust perceptions of those away from the transgressor that have not transgressed. Exploring the trust building and diminishing effects of punishing and not punishing acts of transgression on the transgressor and other constituents is worthy of further study.

Rigby and MacSwiney also report that, in their experience, trust is built through clear, honest and accurate communication, which supports Berger (1991).

MacSwiney gave an example from his own business where excessive safeguards have made it very difficult to build trust with his clients. The safeguards are ostensibly in place to protect the client and the company and provide for a trusting relationship. Taken too far, however, they have instead decreased trust. This is consistent with

Chan (2003) where actions intended to build trust have been found to actually decrease trust.

Baring's attempt to safeguard against opportunistic behaviour by one of his traders in Singapore was consistent with Weber et al. (2005). Baring tried to replace his feelings of anxiety associated with dependence on a single individual by placing a trusted individual in the environment. This gave him a sense of perceived trustworthiness. In this case, the placement was a tragic mistake that was a contributing factor to the downfall of his business.

It should be noted that a few of the executives struggled with the concept of qualitative trust representations. Rigby and Richard, for example, did not acknowledge that the activities they performed resulted in categorically different types of trust in the relationship – only that trust was either quantitatively increased or decreased as a consequence of their actions. Thus we can infer that they know which action led to increased or decreased trust, but they struggle to categorise trust types. It is quite understandable because observing the effects of trust/actions is often easier than categorising trust. Measuring/observing the effect of actions is generally easier than assessing the level of trust bestowed or ascribing trust types to qualitative categories.

The implication is that qualitative representations of trust in the work environment may not be readily apparent to these senior executives. Giving examples of business relationships (such as case studies) alongside qualitative categories may allow for improved comprehension of trust types by these senior executives. For the senior executives in this study, value is readily acknowledged in the identification and study of key trust-building and trust-diminishing actions that could practically be applied for the benefit of the organisation. The frequent use of banking analogies in the executive reports to describe the dynamics of trust seems to support this notion as well. The executives were certainly financially astute individuals, but that is not sufficient to explain the similarities in their descriptions of trust in their organisations. I believe the executives were saying something very important about their trust orientation – trust is perceived as another financial asset at the company's disposal that can be *invested* or *invested in*. The senior executives' use of financial metaphors will be explored further in Chapter 9 of this thesis. Like currency in a bank account, it can be saved or spent depending on the requirements of the transaction or situation. It is used when the investment can provide a meaningful return to the company. And indeed, it could be a bad investment as well, which calls for Optimal Trust – a subject that will be taken up in detail in Chapter 7. For these senior executives, trust is another tool that is used when necessary to grow the business.

During the interviews I was particularly struck by the concept of the trust paradox. When one thinks of trust between transactors, it is usually either seen as a mutually beneficial relationship or as one party benefiting at the expense of another. A third context that was introduced during the interviews is the situation where two parties have such a high degree of trust in the relationship that it increases the potential for both parties to lose trust in one another. The literature seems to support the notion that as trust increases between transactors they can reach a point of mutual identification and goodwill where greater economic benefits can be enjoyed. The trust paradox introduced here by Doug Richard extends the concept put forward by Lewicki and Bunker (1996) that further attempts to build trust beyond a certain point may be unproductive. Going beyond a lack of productivity, the trust paradox *caps* the value of trust and introduces a law of diminishing returns, where too much trust could result in diminishing trust – where continuing to invest in building a trust relationship could have negative effects.

The findings from this chapter are supportive of the existing literature, extend certain concepts appearing in the literature, and add a layer of executive perspective that may contribute to an improved understanding of proposed trust theories. The key findings are supportive of the existing literature that suggests trust is a process where performing particular actions can cause a gain or loss of trust over time. For instance, consistent with Chan (2003), withholding punishment when it is available is an effective way to build trust, as is communicating honestly, being transparent, acting consistently and having a shared background (Berger 1991). Support for Lewicki and Bunker (2006) was found , where the cost of transgression is greater than the benefit of trust building behaviour, in that executives acknowledged that it is much easier to lose trust than to gain trust. Rigby's assertion that building trust takes precise coordination of partners is supportive of Ferrin et al.'s (2008) concept of spiralling relationships of perceived trustworthiness and cooperation. Evidence for support of Chan (2003) and Lewicki and Bunker (1996) was found where actions intended to build trust have can actually decrease trust.

The key findings extend this notion by introducing a trust paradox. Going beyond a lack of productivity, the trust paradox *caps* the value of trust and introduces a law of diminishing returns, where too much trust could result in diminishing trust and continuing to invest in building a trust relationship could have negative effects.

Finally, the executives added an important and unique perspective to trust in that, contrary to being diffuse or qualitative in nature, they perceive trust as another financial asset at the company's disposal that can be *invested* or *invested in.*

Summary

The purpose of this chapter was to gain an understanding of some widely cited models that categorise the nature of trust, examine the homogeneity and heterogeneity among the models and executive reports, and explore the potential dynamics of trust as a process by examining how trust is gained and lost in organisations. Qualitative trust models that appear in the literature were presented: contractual/competence/goodwill trust, weak-form/semi-strong form/strong-form trust, and calculus-based/knowledge-based/identification-based trust. Selected literature describing how trust is built and diminished and the corresponding actions was reviewed and compared to the executive reports.

There was consistency with the literature that suggests trust is a process that increases and decreases over time based on specific actions taken by the transactors. There was considerable evidence presented that trust needs to be started by accepting some vulnerability, but Baring's experience demonstrated the need to have proper safeguards in place to protect against opportunism. Several specific actions were described by the executives that are known to either increase or decrease trust in their companies, further supporting the concept of trust as a dynamic process in organisations as reported in the literature.

A few executives struggled to understand the importance of qualitative representations of trust. As was noted, this is understandable. Some very important and relevant work has been done by researchers that developed qualitative models of trust (Sako, Barney and Hansen, Lewicki and Bunker for example). The implication of this finding (albeit from a small sample) is that qualitative representations of trust in the work environment may not be readily apparent to some senior executives. It was suggested that providing examples of business relationships (such as case studies) alongside qualitative categories may allow for improved comprehension. It was reported that trust in their businesses was treated by many of these senior executives as a financial asset that is no more or less diffuse than any other financial asset held by the organisation. Future research could explore trust as a financial asset of the company that, when invested in and strategically used, could create a competitive advantage. The potential existence of a trust paradox was a concept that requires further study as well, and may have an impact on future research by collaring the value of trust at increased levels. It was also suggested that the trust building and diminishing effects of penalising or not penalising acts of transgression on different constituencies in the organisation is worthy of further study.

Chapter 7 that follows completes this study's exploration of the nature of trust by analysing the concept of optimal trust as reported by the senior executives.

CHAPTER 7: Optimal Trust

The Concept of Optimal Trust

One of the objectives of this thesis is to assess the extent to which executive reports chime with the trust literature, and explore novel concepts (or concepts that aren't well-represented in the literature) that might arise from the interviews. One such concept that deserves additional attention is that of optimal trust. It is possible that a conceptualisation of optimal trust described by Michael Mainelli may extend our understanding of other conceptualisations of optimal trust that appear in the organisational trust literature. The novel contribution here is the introduction of anticipated trust and experienced trust, and how closely they are matched, as the determinants of optimal trust transactions. Furthermore, an optimal trust path graph is presented that allows for optimal trust transactions to take place at both low optimal trust levels and high optimal trust levels. Several executive reports tend to support this novel treatment as well.

Executive Reports

The optimal trust model proposed by Mainelli is not solely about interdependence or uncertainty as proposed by Wicks et al. (1999) and Adobor (2006) respectively, but rather incorporates a more experientially focused concept based on anticipation and experience. Trust therefore is neither good nor bad – it is an anticipation met with experience, and the difference between the two defines whether there is optimal trust, undertrust or overtrust.

Mainelli describes under-trusting a substantial difference between anticipation and experience, where the low anticipated trust doesn't match the high level of experienced trust. Over-trusting occurs when there is a substantial difference between anticipation and experience, where the low experienced trust is inconsistent with the high level of anticipated trust. According to Mainelli, optimal trust occurs when the anticipated level of trust and the experienced level of trust are perfectly matched. It is a condition in which the transacting parties are neither under-trusting nor over-trusting each other.

What about the other executives and their views on the subject? None of the other participants used the term "optimal trust" explicitly. Consistent with the literature, however, they did provide evidence that such a conceptualisation is valid within the organisation. This assertion will be supported by analysing responses for evidence of statements consistent with three key constructs of the proposed optimal trust model:

- the importance of anticipated trust vs. experienced trust

- undertrusting and overtrusting (not in name, but represented in concept or practice)

- optimal trust (not in name, but in concept or practice)

This analysis of responses is intended to ground the optimal trust model in the functioning of the organisation as experienced by the senior executives.

Support for the concepts of anticipated trust and experienced trust

In analysing the executives' responses, it is important to find evidence of the key constructs of optimal trust as proposed by Mainelli. Central to his proposition is the concept of the gap between the anticipated level of trust in a relationship or transaction and the experienced level of trust. For the purpose of this analysis, anticipated trust is defined as the levels of trust that transacting parties have in one another *before* the transaction takes place. Experienced trust is defined as the levels of trust that transacting parties have in one another *after* the transaction has taken place upon reflecting on the actions taken during the transaction.

If this relationship is truly important to trust, it would probably appear in the responses of other executives. In fact, each of the executives referenced the importance of consistency between anticipation and experience in building trust.

Martin Rigby was very clear that there were advantages and disadvantages to trust, and his comments on the subject appear throughout this thesis. When discussing the disadvantages of trust, Rigby describes a condition where the anticipation of trust doesn't match the experienced trust in a relationship. Here, the gap between anticipation and experience creates distrust. Instead of abandoning the relationship altogether, Rigby provides a path to salvaging the relationship by taking specific actions designed to reduce the gap between anticipated trust and experienced trust. As he puts it,

> "The disadvantage, of course, is the expectation that you will trust and be trusted, and sometimes the trust, for whatever reason, misunderstanding or whatever, doesn't work out. If you don't trust that person as much, somehow you've got to manage the relationship back down to a layer of less trust with a more formal exchange of information and decision making. More investigating, more due diligence, more contracts, without [angering them] and making them feel untrustworthy or unvalued."

What is being suggested here is that there is a proposed optimal level of high trust where the anticipated trust and experienced trust don't match. The goal of reaching an optimal level of trust is still attainable, it's just that the level of anticipated trust is going to have to be lowered so that the anticipated and experienced levels match. This example points to the validity of the concept of having some business relationships with high levels of trust being optimal and others where optimal levels of trust are at a low level. In either case, a transaction may still take place as long as the anticipated trust is aligned with the experienced trust.

Scott Charney is very clear on the importance of matching the anticipation of trust with the actual experience of trust. Like Rigby, his statements support the general concept of alignment between anticipation and experience being a key factor in determining the amount of trust in a relationship.

> "For customers trust works on many levels. Most of it comes back to managing their expectations, being honest with them, being transparent in your business practices. If your quality is bad but you didn't represent otherwise, then it's probably less of a trust issue and more of a quality issue."

Charney's point is that, as long as one represents poor quality and delivers poor quality, then trust is not the issue because the anticipation matched the actual experience. The quality is a different consideration altogether and has nothing to do with building trust or diminishing trust as long as the anticipated outcome and experienced outcome are aligned. It could be quite different if transacting parties both expected good quality and one party delivered a poor quality product. In that case, the anticipation would not match the experience and an optimal trust transaction would not take place. In fact, according to Charney, the two are both important, but for different reasons.

> "I'm a big believer that there is perception and reality and you have to achieve both. What I mean by that is, to achieve trust people have to

> basically trust your integrity and all these attributes we are talking about. How do you get them to do that? One is you need to encourage them to have those good feelings about you; and two, you have to reinforce it with your behaviour. If you market trust, if you market this car will run forever and you don't do the things to make it happen, then it's a scam and it's bad… so my view is that you have to do the reality stuff and the perception stuff. You have to make business decisions and behave in an ethical way that reflects integrity. As a publicly traded company where your brand is an asset, you need to make sure that people know what you are doing."

Here, Charney introduces the concept of marketing trust. Although an interesting topic in its own right, it will be explored here to support the concept of building an *anticipation* of performance and having a consistent *experience* to build trust. In his mind, a company (such as Dell, for example) invests a great deal of money and effort to market the company as trustworthy to potential customers. They do this by making statements regarding products and services (creating anticipation) and then acting in a manner consistent with those anticipations to reinforce the notion of trust (experienced trust). Perceptions are formed early (Hastie and Park 1996) and new information gleaned from further interactions either reinforces that impression (Hamilton et al. 1989) or changes it. Consider a scenario where a consumer intends to purchase a laptop from one of several vendors. The consumer may call Dell sales to gather information, call business associates that have Dell laptops, and may review customer satisfaction data on the web from companies like JD Power. Behind each of these interactions is a strategic effort to build trust in the consumer that is invested in by Dell. For instance, the Dell sales rep has probably been through weeks of intensive training to ensure trust is built with each answer to a question. The product and service satisfaction of existing customers is a focus of many companies trying to establish good "word of mouth" marketing. Customer satisfaction surveys are closely tracked by companies, and slogans such as "Trust Dell" are intended to create an anticipation of trustworthiness. The buyer has to trust the seller in many aspects. Katherine Stewart (2003) refers to the vulnerabilities a buyer assumes when purchasing goods form a seller, ranging from faulty products to poor service, to the seller sharing the buyer's personal information with others. To help the buyer overcome these vulnerabilities, companies invest in creating the anticipation in the customer that they are trustworthy with the expectation that the consumer will see this level of commitment and form a positive early perception of the company. They then invest in downstream interactions (such as service) to insure the positive anticipation is reinforced with actual experiences – where the anticipated trust is matched by the trust experienced. According to Charney, for his company's brand (the Microsoft brand) to be perceived as worthy of consumer trust, the company has to market itself as trustworthy to create the positive perception that the company's employees can then reinforce in practice. For Charney, anticipation and experience should be the same. Establishing an anticipation of trust may take place in every interaction by those companies wanting to create a positive perception in the mind of the consumer. There have been a flood of companies wanting to promote themselves as "green", or caring for the environment. Certain companies actively promote their support of charities such as the Special Olympics with an expressed intention to demonstrate their values to the consuming public. This is consistent with Charney's assertion that, "As a publicly traded company where your brand is an asset, you need to make sure that people know what you are doing." It is an attempt to align the company's values with those things that are important to the buyer in the hope that, through actively promoting these aligned areas of importance, the buyer will have a positive early perception of the company. When this positive early anticipation is matched with a positive experience with the company, it provides the opportunity for trust building.

In response to the questions regarding what actions build, reinforce or diminish trust, Charney supported the connection between anticipation and experience in building trust. He stated,

> "The first and foremost thing is I like people who are just honest with me. They tell me the way it really is, and I find out – yep that's how it really is. What would reinforce [trust] or diminish it? It really has to do with – is there something that I expect, or I need or want and they meet that or miss it. So, what happens when you mismanage expectations? You get a problem. If I tell you 'if you fly my airline, the prices are cheap but 25% of

the time you will be delayed about an hour', you have a choice to make as a consumer. Here's the ironic thing – you say 'I'm going to fly their airline all the time because I save 25% and a quarter of the time they said we might be late', and you find you are late only 10% of the time. What is your experience? I'm getting a deal – it's great. Your expectations have been managed. So to build trust it's a combination of what we tell people and then that the objective metrics either reinforce what we tell them or not."

Perhaps the most illustrative example of the gap between anticipation and experience having an impact on the amount of trust comes from Charney's own IT industry. As he tells the story,

"Let's suppose that you tell a customer that you will make their problem right and you don't even show up. It's one thing that you showed up and you tried to make it right and you made it better but not quite right. So people say 'I need 99.99999% availability of my system – it has to be up 99.99999% of the time.' They go 'we bought your stuff – we tried to deploy it – we are up 98% of the time'. We go 'we'll make it right'. So now we say it will be five 9's and you find 95%. So the variance is too great. We go, 'Well, we might be able to get you up to 95.2'. They go, 'We need a 99.9 – you were so off. How could you be so off?'"

This example ties in directly to the amount of variation between anticipation and experience being linked to the amount of trust. Having a substantial difference between the anticipated outcome and the experienced outcome will lead to a loss of trust and perhaps the loss of a customer. A slight variation may not be optimal, but it will probably not impact trust and maintain customer satisfaction.

For Nicholas Baring,

> "[Trust is] the ability to take at face value what you read or are told about a particular part of the business without having to embark on an elaborate system of corroboration. In the end it's quite a narrow path you have to pursue between these two extremes. Inevitably [trust is diminished] by a failure to deliver in the short- or the long-term, and erratic performance."

He is distinguishing between that which you are told being actually true, and having a system of oversight necessary to ensure that perception is met with reality. His use of the term "erratic performance" in discussing loss of trust is consistent with volatility resulting in less trust, providing further support for Mainelli's proposition. As Doug Richard succinctly puts it, "Trust is diminished in very simple ways. People are empowered and take advantage of their trusted position and then do not live up to that trusted position". Like the others, he agrees that the amount of trust is determined by the degree of difference between anticipation and experience. In this case he is referring to diminished trust, and it could be inferred that the corresponding *increase* in trust would occur if people live up to their trusted position.

The consistency of thought with the anticipated / experienced proposition comes from Michael MacSwiney in the form of a situation that he encounters in his job as accountant and consultant. It should be noted that throughout his interview, Mr MacSwiney used hypothetical names for real situations for privacy and confidentiality purposes. In this example, he describes a situation where a client can't pay his bills and is quickly losing trust with his suppliers. MacSwiney stepped in and pointed out that the reason his suppliers are coming down hard is because the client is setting one expectation and then actually doing something different. The client's fear is that if suppliers know what a difficult time he is having, they will stop supplying him with goods and services and put him out of business. Without referring to the anticipation / experience dynamic explicitly, MacSwiney recognises the need to optimally match expectation with reality, even if he has to downgrade the level of expectation (which is very similar to Rigby's example where he had to manage the relationship back down to a lower, more realistic layer of expectation in order for the transacting parties to get back on track). If the anticipation is properly placed, and the actual experience is consistent with the anticipation, then there is an opportunity for trust to be regained. According to MacSwiney, "Trust is that something you do won't be exploited or dealt with in a way different to a way that you trusted it would be. When a business is almost in irretrievable difficulties, the instinct of management is to lie -- to lie to bankers, to lie to suppliers, checks in the post. To lie to employees, 'things aren't as bad as they look. We have a solution - we have some investors about to come in to help'. Or tell partial truths. When I go in to try and rescue a company in difficulties, you have to change that. I have always heard the comment, 'If our suppliers had any idea of the position we are in, we would be out of business tomorrow'. If you sit there with a managing director and say 'well, you are going to be out of business tomorrow as a matter of fact, so let's try to follow a sensible plan. Let's ring up your principal supplier – here, I will do for you. I'm sitting here with Mr Smith who is with Smith Company. I'm sorry Mr Bloggins, I've been called in. We have very severe financial difficulties here. I know you are pressing for your money. We owe you 100,000 pounds. There is no way it can be paid. What we can do is try and sort out a position and see if we can rescue something'. I am told the response will always be expletives and 'we are cutting supply immediately'. I don't believe that has ever happened to me when I've done it. Almost without exception the person on the other end of the line says 'Oh God, poor Mr Smith. I thought he was in difficulties - how bad is the problem? Will you give us an exact report? Obviously we can't increase our exposure, but we'll continue to supply. Perhaps we can do the supplies now on a cash basis with what's there'. Why has that happened? Because one has told a simply disastrous situation and clearly you are not withholding anything. You explain the situation is so bad, there's nothing to be withheld. So, instantly, you are trusted because you fed that information. The moment that has happened you instantly have a base to sort things out. Quite often there is no trust at all at the start. His back was to the wall, but now we are doing what's right. By cleaning up you can restore that trust."

Support for the concepts of undertrusting and overtrusting

In addition to uncovering evidence of support for anticipated trust and experienced trust, if the proposed optimal trust model is applicable to organisational environments in general, there should also be support for the concepts of overtrusting and undertrusting found in the executive interviews. Although not pervasive throughout the executives' responses, both Baring and MacSwiney provide support for the notions of undertrusting and overtrusting. As one might recall, Baring's Bank was brought down by a single individual (Nick Leeson) in Singapore making trades on behalf of the firm. As Baring describes the situation, it becomes clear that Baring overtrusted Leeson, where he anticipated that high trust was appropriate, when in actual fact it was discovered based on experience that there was very low trust that should have required significant safeguarding. A Baring puts it,

> "[The disadvantages of trust] largely arise where trust is mistakenly granted. And in those cases the results of the mistake can be more severe than they would be otherwise because the mistake is usually not spotted early enough on. There's always that thing you should always press when something appears to be better than you expect as well as if somebody [is] doing worse."

Two other notions are of interest here. First, Baring introduces the idea of a temporal nature to overtrusting – where he seems to suggest that once the perception of high trust is in place, there can be a significant time lag until enough actual information comes in to change the perception so it more optimally matches reality. In fact, so much time may go by that it will be too late – as was the case with Barings. This points to the potential need for cues (or some mandatory minimum oversight function) to expeditiously monitor if one is overtrusting. Second, and Baring has mentioned this before, there is evidence of overtrusting in both the good news and the bad news. For Baring's executive leadership, it was easy to feel that they were trusting appropriately – the anticipated trust seemed to be paying off big in actual financial terms – until that one moment where the fraud was uncovered and the bank fell. Baring's point is that actual performance that exceeds everyone's expectation is also a potential indicator of trouble, and could be the result of overtrusting. MacSwiney seems to back this up when he states, "A con man will generate actions such that you trust him, but you've made a mistake. What can sometimes happen is you've mistakenly misplaced your trust."

Support for the concept of optimal trust

It is the intention of this section to build the case for optimal trust based on the key constructs and across multiple executive responses. Although no executive (except for Mainelli) referred to optimal trust explicitly in name, some responses could be considered consistent with an operational notion of optimal trust. The following statement by Martin Rigby could be interpreted as support for the idea that somewhere between formal management contracts [safeguards – less trust] and less contractual influence [vulnerability – more trust] there is an optimal trust level for the transaction. Rigby describes the dynamics of venture capital management as such:

"With a high value investment where you've got more formal management or contractual arrangements, you have to trust less. The mandatory degree of trust is reduced because the contract is underpinning it, whereas if all you've just got is ordinary shares and less contractual influence, you have to trust a very high degree because you are relying on the management to communicate with you to fulfil that side of the bargain".

And in fact, optimal trust doesn't have to be high trust either. As long as the anticipated trust and experienced trust are matched, optimal trust can still exist and a transaction can still take place. Rigby's example of the Appleby Horse Fair illustrates this point.

> "If you go to the Appleby Horse Fair - the Appleby Horse Fair which is a horse fair in the north of England where typically Irish tinkers and some other people come together for one weekend and they buy and sell horses. This is a very disparate group of people who come from all over England, Wales, Scotland, and Ireland and although the communities do know each other, nonetheless it's a real caveat emptor culture. What you see is what you buy. If it turns out bad, that's your problem. The culture is quite clear. The degree of trust is very low - deliberately very low. That's about as low as you get when it comes to trust. That is what makes this liquid fast efficient market work. You don't have to have much trust. You see what one party's got. You know what it is. You buy it."

In short, a "liquid fast" market with efficient transactions can exist even at very low trust levels, as long as anticipated and experienced trust levels are matched.

Doug Richard provides support for the concept of optimal trust as well. He was trying to describe how he measures trust in his organisation, and his answer could be interpreted in at least two different ways.

> "How do you measure trust? I'll tell you what you can do - you can note whether it is going up or down over a period of time as between both individuals and generally within the context of the corporation, and you do it through the proxies of people's behaviours. There's a certain type of behaviour... I think of it as an emergent property of a company where people trust one another. I happen to be into emergent properties these days, complex systems. I believe that what bubbles out of a trusting company is a series of ways of working, where things are uncommonly efficient, where the business hums, where people just go and get done what needs to get done, where they've worked out all those trivialisations that we hear about endlessly."

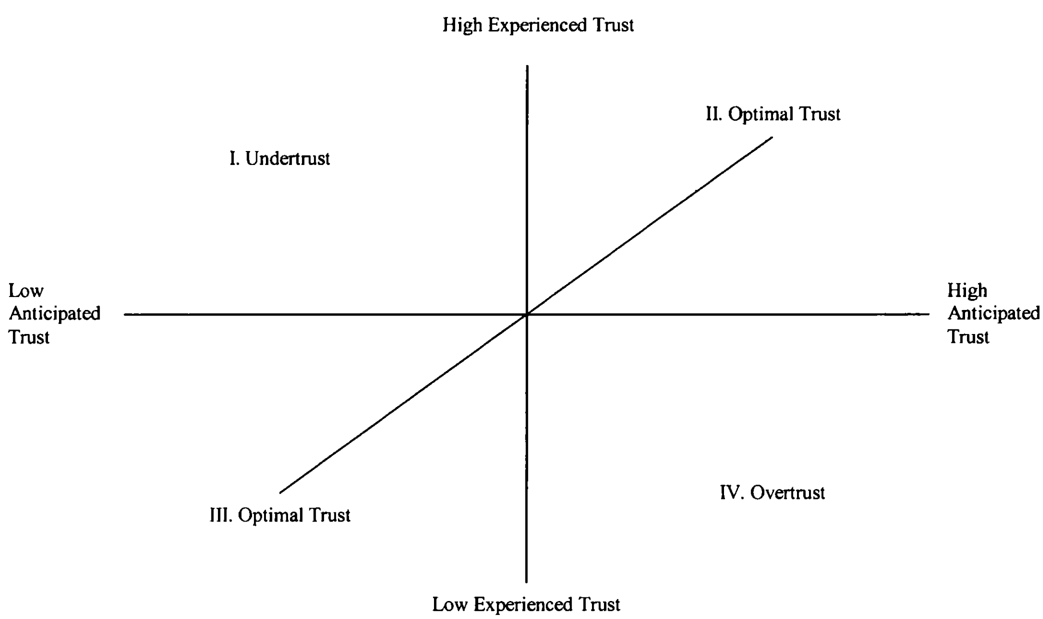
Taken one way, Richard is referring to trust going up and down – moving along a spectrum of more or less trust – and then something different emerges and the company becomes exponentially efficient. It could be argued that this emergence is actually the point when the company reaches optimal trust among all constituencies.

This section included a description of three key components of the proposed optimal trust theory and found evidence of support from the senior executives for each of these components. The executive reports provided support for the importance of matching transacting parties' anticipated trust with the trust experienced. Support for the concepts of undertrusting and overtrusting was also presented, as was evidence of support for the concept of optimal trust in general. Establishing this support among the executives provides some foundation for the validity of optimal trust in general and specifically the optimal trust model proposed in this chapter.

Analysis of Responses

The image presented at the beginning of the previous subheading is a representation of a sketch made by Mainelli to describe the three concepts of undertrusting, overtrusting and optimal trust. The optimal trust parabola is reminiscent of Tomkins' (2001) inverted U-shaped graphic that shows the evolving relationship between control and trust. Although it is a reasonable graphic to quickly describe the meaning Mainelli is attempting to communicate, further consideration illuminates a need for clarification. The graphic is intended to show that misalignment of anticipated and experienced trust results in undertrusting and overtrusting, while alignment of anticipated trust and experienced trust results in optimal trust. The graphic may have more usefulness as depicted below in Figure 4, with the level of anticipated trust on the x-axis and the level of experienced trust on the y-axis. Presented this way, optimal trust is not bound by high trust or low trust. For example, as described by Rigby earlier in this chapter, there are certain markets that are very efficient operating at low levels of trust because the anticipation and experience of transacting parties are aligned. As long as this is the case, there can be both optimal high trust transactions and optimal low trust transactions. This supports the findings of Uzzi (1996) where optimal trust relationships are not defined exclusively by close relationships or distant relationships, but rather are inclusive of both. Further, it is consistent with Wicks et al. (1999), albeit a new representation, in that optimal trust requires a matched fit. For Wicks et al., optimal trust requires a fit between interdependence and trust level. The optimal trust concept presented here requires a fit between *anticipation* and *experience* for optimal trust to be achieved.

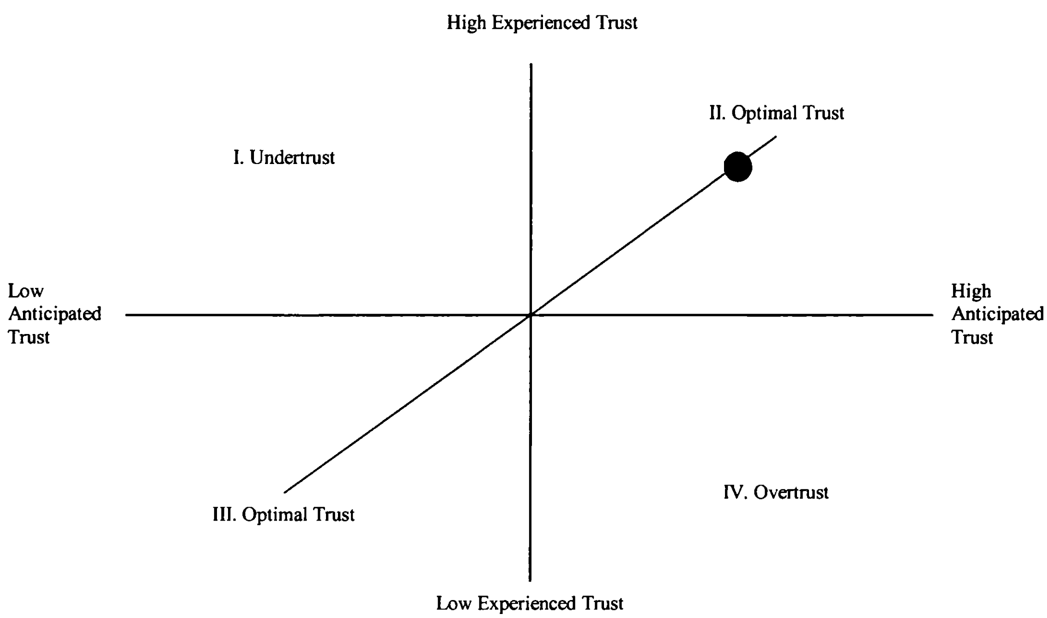
Figure 3: Optimal trust path in quadrants



It is proposed that the Figure 4 above is a more accurate representation of how trust operates in and between organisations than what is proposed by Mainelli.

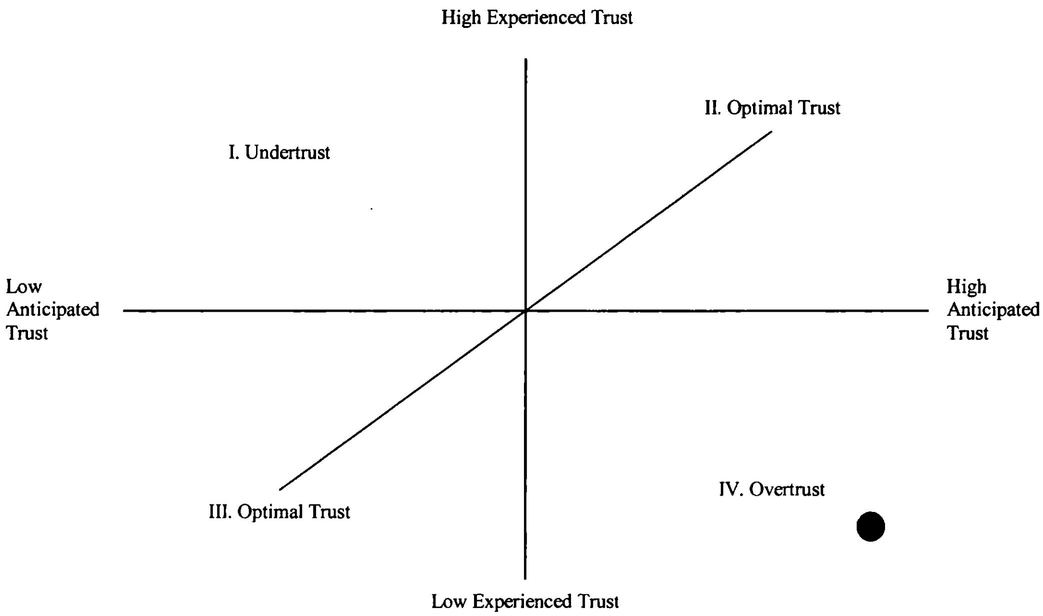
This assertion is based on the executive reports, incorporating some tenets of the Mainelli model and the descriptions and characterisations from the other interviewees. The line bisecting quadrant 2 and quadrant 3 is an optimal trust path that is reached when anticipated trust and experienced trust are matched, regardless of whether the match occurs at a low level of trust or a high level of trust. Undertrust or overtrust can occur when anticipated trust and experienced trust are not matched. Doug Richard shared a story from his early business career that will help illustrate each of the four quadrants in practice. Richard was approached by an individual requesting a software program to help people understand what their bodies would look like after performing a particular diet regimen for certain periods of time. Although this may be considered commonplace today, in the late 1980s it was quite a substantial request. Richard felt he could help him, but wasn't sure of the outcome. He asked for a very reasonable retainer to start work, and would let the customer know if creating such a program was possible. The client had done a bit of background work on Richard and knew he ran a small but successful business. Richard's background check on the client showed him to be a reputable person in his chosen field and matched nicely the description he gave of himself. This established a sufficient level of anticipated trust for the transaction to take place. In time Richard completed the work and the client paid the full amount Richard was due. In this case, the anticipated level of trust was met with the experienced level of trust, and both the supplier and customer were pleased with the outcome. This transaction would probably fall somewhere on the optimal trust line in Quadrant II as shown below.

Figure 4: Optimal high trust



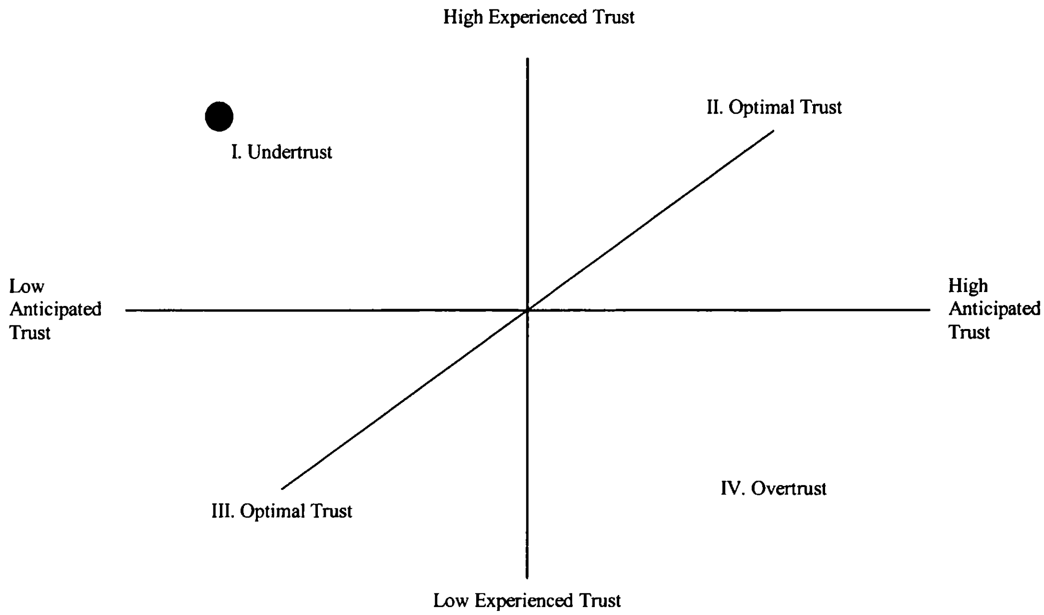
Now assume that Richard took the fair retainer and never intended to spend a minute looking into the software solution. In this case, the client would be severely overtrusting, where he anticipated that Richard was highly trustworthy, but he was actually a fraud. This transaction would fall in Quadrant IV (as shown below) because the anticipated amount of trust was very different than the low experienced amount of trust warranted.

Figure 5: Overtrust



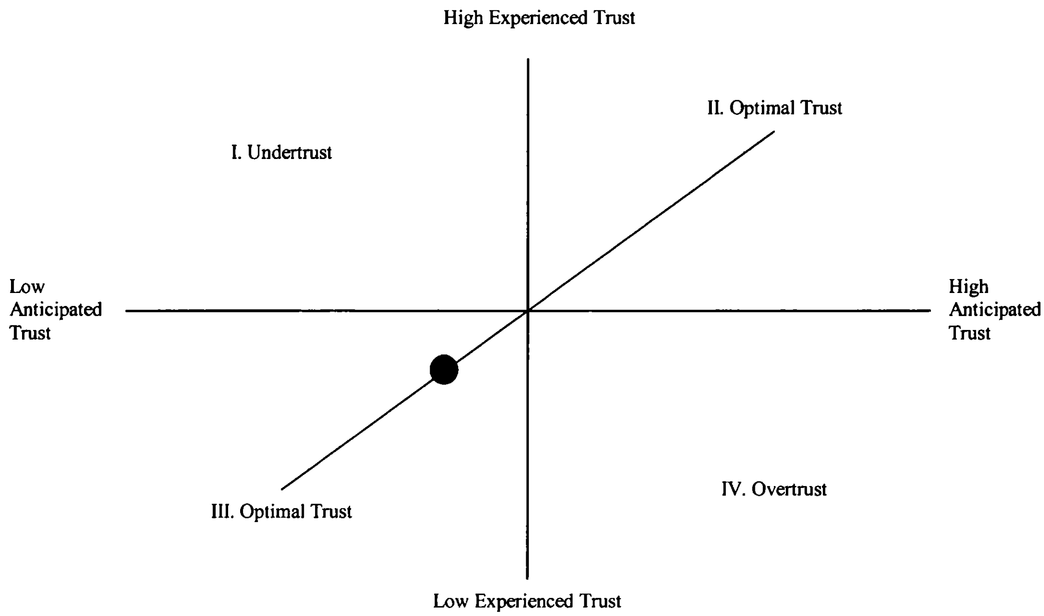
In the next scenario, assume that Richard intended to do everything promised, but the client demanded extraordinary oversight and contractual requirements for the project. In fact, 80% of the total project cost would be consumed by lawyer's fees just to negotiate the contract. There would be little reason for Richard to take on a money-losing project. In this case, the client would be undertrusting and the transaction would fall in Quadrant I as shown below.

Figure 6: Undertrust



In the final scenario, consider that the client knew very little about Richard, but with significant safeguards is willing to take the risk just the same. Richard knows nothing about the client and is not particularly satisfied with all the costs associated with the restrictive safeguards, but wants to see for himself if he can master the software challenge that the project presented. Richard takes the job with much less profit than he would normally get, and the client is satisfied with the safeguards in place to complete the transaction. In this case, the anticipated trust and experienced trust are low but still optimally matched for a transaction to take place, as shown below.

Figure 7: Optimal low trust



This model also allows for transactions to move from low trust to high trust and back again, based on actions taken by the transacting parties, and remains optimal as long as the anticipation and experience are matched. This is consistent with Rigby's example of salvaging a transaction among mismatched parties where,

> "If you don't trust that person as much, somehow you've got to manage the relationship back down to a layer of less trust with a more formal exchange of information and decision making. More investigating, more due diligence, more contracts, without [angering them] and making them feel untrustworthy or unvalued."

Summary

This representation of trust incorporates and extends some of the concepts from the existing optimal trust literature (Uzzi 1996; Adobor 2006; Wicks et al. 1999), and introduces novel contributions from the executive reports. The proposed optimal trust continuum may be of a high or low degree, where transactions can take place at any point along the optimal path and maintain optimal value. It is an iterative and experiential process in that one draws on experience to work toward an optimal trust path. The validity of the model will be considered in Chapter 10 of this thesis. The data presented here represents a novel contribution to the optimal trust literature by introducing an optimal trust model which proposes an optimal trust path based on the degree of match between anticipated trust levels and experienced trust levels. It incorporates Wicks et al.'s (1999) optimal trust concept of fit, but relies on anticipated and experienced trust levels instead of interdependence and trust levels. The model also goes beyond Adobor's (2006) reliance on anticipated transaction uncertainty by incorporating experience into the model. Although the other executives provide support for the key components of the optimal trust model in their reports, further research will need to be conducted reinforce the validity of the proposed optimal trust model. Chapter 8 that follows explores why executives think that trust is important by analysing their claims of the economic value of trust.

CHAPTER 8: Economic Value of Trust

Economic Impacts of Trust

Building on the understanding of the nature of trust established in the previous three chapters, the purpose of this chapter is to explore why executives think trust is important by evaluating the potential economic impact trust has on organisations and analyse results from the executive interviews to report the similarities, differences and novel conceptualisations and compare them with widely cited contributors to the field.

Executive Reports

Each of the senior executive respondents spoke freely and openly about the importance of trust and the economic impacts it has on the organisation. Several of the interviewees described discrete values that trust has in the work environment, and a few of the impacts were mentioned on several occasions.

According to several respondents, and consistent with the studies conducted by Dyer (1997), Zaheer et al. (1998), and Dyer and Chu (2003), a high level of trust in a business relationship reduces costs associated with contract negotiations. The sales cycle associated with a company's products and services can be one of the largest costs for any organisation. The same is true for investments made by venture capitalists in start-up companies. A typical sales process can involve multiple visits to a customer location, several presentations, development of a proposal, creation of a contract, the use of expensive attorneys, multiple reviews and negotiation cycles, and many other activities that may decrease the profitability of the business. It therefore stands to reason that a reduction in any part of the sales cycle will positively impact a company's bottom line. Typically the first transaction in the relationship is the most expensive, where the principals in the organisations might require extensive and costly safeguards as they get to know one another better. It might be reasonable to assert that as the trust in the relationship grows, the need for costly safeguards (such as multiple visits, restrictive contracts and elaborate oversight measures) would diminish over time. Martin Rigby supports this by observing

> "We get to this point where we have this shared understanding of the business objectives, where it's trying to go, which is both practical in the sense that we do understand the operating plan, but it's also cultural in the sense that we understand how the management will behave and what they will do, and we are confident that they will behave in what they do. That collectively allows us to undertake transactions with the management which are quick - to the point. I don't have any great legal underpinning in decision making so they can be done quickly and effectively and leave the bureaucracy to catch up later to the degree that it is necessary. Of course, the bureaucracy itself may be extra slim - an exchange of letters as opposed to being some form of legal agreement. That's all I'm trying to

say is that, invest once using trust to understand and respect and then you can do a whole series of transactions on that pool of trust and understanding as opposed to having to do due diligence and negotiate a contract every time. You can reinvest that acquisition of knowledge and trust into a series of decisions or contractual changes or things between you. You can choose this systemised pool of knowledge, respect, and trust. Whereas without that, every single transaction has to have due diligence and contract negotiation repeated."

Michael MacSwiney echoes Rigby's observation of efficient contracting with trusted individuals.

"As a professional now, half of all effort in professional offices is covering your back, getting letters of indemnity, escape clauses, caveats, building a file to protect every decision, and not making very fast deals where a lot of research is not done, a lot of guessing. As an accountant you don't go and have a day's meeting with people speaking every language and put a deal together and shake and confirm it without having done all the homework, but you do if you have a man with a level of trust that is so high that you know there can never be an issue of risk."

Michael Mainelli points to trust as a potential competitive advantage for the business in deal making when he remarked:

"There's something to do with the time it takes you to arrive at a deal. Trust is certainly becoming an area of competition in the sense that one could argue that you are providing efficiency."

Another area where trust might impact the economic performance of a company is in hiring practices. The actual activities associated with hiring new professionals to work at a business can be intensive. Posting job advertisements, reviewing resumes, interviewing dozens of potential candidates – the process can be daunting. Even then there is no assurance that an employee will be productive and trustworthy. Doug Richard has found trust to be an important element in reducing the costs and improving the results of the hiring process.

"I no longer hire on references. I no longer hire on accomplishments. I hire solely on the personal advice of a person I already trust. I believe that there are huge efficiencies in trust. How much effort is it to hire somebody? Head hunters and sourcing and interviewing and reference checking… it's endless. And what do you end up with? Why do you do all this? To weed out people you can't trust. Sure, you try to weed out people who aren't competent, but you know what? It's easy to find competence. It's impossible to find people who are both competent and who will put the interests of the business first… who you can trust with a

> portion of the asset that you've created. Because I am giving him my brand to do something with, and he could easily (mess) it up if he doesn't act on our behalf."

Sometimes hiring is positive because the business is growing and additional staff members are required to meet the terms of a new contract or an increase in demand for the company's products and services. In other cases, however, hiring is the result of unwanted turnover – where the company can't retain employees due to some internal dysfunction. Michael MacSwiney describes the importance of retention this way:

> "Nobody leaves this office. It's been a goal. Trust generates a well-being. A high turnover of staff for a professional office is the single most expensive and highest risk item here. If you've got employees who have been with you for ten years you know how they perform, you know their job. You are not wasting time training, wasting time teaching them, you're not having to develop new relationships with customers. Your existing employee and your existing customer are your most valuable assets. Your new employee and your new customer are the most expensive ones to sort out or service or organise."

Among other factors, when trust is present in the organisation staff members may have a greater desire to stay with that company. The costs and risks of poor retention may be avoided if people are trusted. In the absence of trust, employees might feel unconnected and seek other opportunities. Scott Charney illustrates this point by stating:

> "If people don't trust their management, especially if they think their management is unethical, then they don't want to work there especially if they think they'll get in trouble. Would you want to work at Enron if you knew what was going on? You would want to get out as soon as you can. Then there are the other elements of disrespect and morale. Your management may be doing nothing unethical and illegal, but they mistreat you with disrespect in a trust sense. They don't share decisions with you. They don't make you part of the process because it reflects that they don't trust your judgment or are not interested in what you are thinking. If your management lies to you, it doesn't have to be illegal, it could just be 'we are going to go do this, that, and the other thing' and then they change direction and never tell you or they keep you in the dark. You lose trust in your management that you are in the loop. It makes it harder to do your job because you don't have the facts you need. You don't know the direction of the company."

Based on the executive reports, trust also seems to allow the structures of organisations to be more flat than low trust organisations with multiple layers of people responsible for oversight. Businesses with multiple layers are sometimes referred to as “top heavy”, where the more senior management that you have involved in oversight and decision making, the less responsibility one bears when a poor decision is made. These companies may experience slower growth and less profitability because of the multiple layers of sign-off that must occur for every decision. Doug Richard distinguishes between organisational structures consistent with high-trust and low-trust environments.

> “Trust permits independence. Trust permits the empowerment of the employee. Trust permits a flatter organisation of layers because people can have more people under their management. It permits a huge number of things that in its absence makes it more costly and less efficient. Therefore, it is a core element of profitability. It’s a core element of pace of growth. Trust becomes the underlying mechanism by which companies are either fast growth or not. The most effective businesses in the world are the ones where the fewest number of people can do the most amount, and view themselves as being in a position to solve as many problems as possible, as often as possible, without reference to anyone else, on the behalf and for the benefit of the business. Businesses that act effectively in that way tend to outgrow all other businesses. It translates to the very core of the business. We are faster growing…our revenue grows faster, our costs don’t grow as fast, we are making more profit than were we to organise ourselves in a different way where we did not invest the time and effort in trusting individuals and

> creating a community of people who trust each other. Economic values are on top line and bottom line, and those are the only two lines that I believe exist in a corporation."

It was also suggested in the executive reports that trust allows the company to respond to changes in the market more quickly. Market changes are inevitable – the needs of consumers are constantly evolving. These changes can create new opportunities for fast responders and signal the demise of those companies unprepared for rapid decision making. Martin Rigby observed:

> "It means they are quick to market and quick on their feet and more adaptable. It's the classic business of being able to out-manoeuvre large corporations because the trust component in a smaller organisation means that information can be shared more quickly and evaluated more quickly and new plans are put into place more quickly – change direction more quickly -- and for us that's absolutely right. When it works then the communication back to us as the investor compliments and reinforces that nimbleness of foot in the development of the business."

The stock markets around the world can be volatile. Watching the New York and London exchanges respond to lower than expected earnings reports from companies provides ample evidence. When a company gives an early indication of earnings performance, it is usually based on the best information available, yet investors sometimes react as if the company was trying to intentionally deceive them with their estimates when they are not met. Many factors lead to an investor's decision to sell a stock, and it was observed that one of those considerations is the trust the investor has in the company. According to Michael MacSwiney, high trust may result in financial stability and longer term investor relationships.

> "The economic advantages in the long term are shareholders become trusting of what you are doing and they believe you when you tell them what you are doing. They will accept short term failure in profits because they believe the long term motivation and behaviour of management is sound. And, whereas if you are not a trustworthy lot, the moment they see something going wrong, they assume there is much more so you are much more volatile. It's stability - the long term growth might be better than expected in the industry it's in. The risk is slightly less than would be the norm for the industry it's in because they may find if you are a trustworthy, decent organisation, you can weather a storm much better."

Nicholas Baring described it this way:

> "I think one of the sad things about business today is that trust between shareholders and its public company and management and boards is very much reduced. Everyone is happy as long as profits are increasing. As

soon as the business hits a rough patch, there's an immediate inclination to blame somebody in the corporation. That's trust on a more macro level. It's in part brought on by management sometimes having them take advantage of their position and not putting the shareholder's interests first. You get a combination of very high rewards in the short-term. That's a very fragile relationship which can shatter at any time. In the past there was a much greater willingness to live through the difficult times in part because of trust."

Martin Rigby, discussing the economic value of trust, made a very important point that not prominent in the literature: The greatest cost of a lack of trust in a relationship is not the increased cost of the transaction itself, it is in the lost opportunity cost of performing non-value added activities instead of those actions that contribute to the core value proposition of growing the business. Rigby observed

> "The whole goal is to maximise the capital profit from selling the shares of the business either by IPO or by trade sale. Therefore, the reason why this is unattractive is less about the fact that it costs money to do due diligence and set up contracts every time. It's more to do with the fact that this is a real waste of management time. What we want to do is for them to concentrate on the evolution of the enterprise, and it is the opportunity cost of their time and effort and dealing with us engaging in complex

transactions which is what we want to avoid. Transaction cost is a drawback not so much because of the economic value, the direct economic cost of the transaction, but because of the opportunity cost in management time of getting management engaged in complex set of due diligence and contractual negotiations."

This critical assertion regarding lost opportunity cost will be examined more fully in the analysis section of this chapter.

Analysis of Responses

The executive responses tend to demonstrate concordance with the literature that suggests trust has economic impacts on organisations. There was particular recognition of the importance of trust in reducing contracting and negotiation costs, which supports the findings of Dyer and Chu (2003). As reported by Dyer (1997), these executives agree that transactions have elements of trust and safeguards, and the more trust that is present, the fewer costly safeguards are necessary and the costs of the transaction are therefore reduced. There was acknowledgement by the executives that trust plays an important role in the organisation and that it reduces costs when present and increases costs when absent. These reports are consistent with the findings of Zaheer et al. (1998), Dirks and Ferrin (2001), and Costigan et al. (1998). In general, these senior executives seem to support the breadth of economic values of trust described in the literature.

The activities and economic impacts of trust reported by the senior executives are presented in Table 7.

Table 7. Activity and Reported Economic Impact of Trust

Activity	**Reported Economic Impact of Trust**
Contracting & Negotiation	Invest in trust early and you can do a number of transactions on that pool of trust. Reduces legal fees. Fewer resources are expended and over a shorter time. Doing deals faster may be a competitive advantage in the marketplace.
Hiring Practices	Hiring on the recommendation of trusted individuals reduces the number of activities necessary to hire and may result in better candidates. Paying large fees for services such as head hunters is avoided.
Retention	Employees and customers tend to stay with the company longer when there is trust. Costs associated with

	severance, hiring, training and selling are reduced when turnover is low.
Flattening the organisation	Trust allows for fewer people to be responsible for more activities – it reduces the need for multiple layers of expensive management oversight. Allows for greater profitability.
Rapid adaptation to change	When trust is pervasive throughout the organisation, people have greater autonomy in decision-making and can respond faster to changes in the market. Responding to changing market requirements faster than the competition is seen as a great advantage.
Greater financial stability	It was suggested that the more the company is trusted by investors, the more likely they are to hold their stock during rough periods. Share price stability during difficult times is of great economic value to the organisation.

These executive reports support the notion that the economic value of trust seems to flow through multiple constituencies of the organisation, from managers to employees to investors. This builds on the findings of Janowicz-Panjaitan and Krishnan (2009) that suggest a trickle-down effect where the poor handling of a trust violation at a senior level can negatively impact trust at lower levels of the organisation. Given this, taking a holistic approach to trust dynamics in the organisation may present a valuable and comprehensive view of how trust and distrust work through an organisation. Reducing transaction costs associating with contracting is important, but what impact does that isolated event have on the other constituencies and the hundreds of other related activities that take place in the organisation? It could be argued that trust among constituencies is interconnected – that it is inextricably linked. As such, building trust with one constituency could have direct or indirect effects on other constituencies, adding an exponential dimension to the economic impacts of trust building and trust diminishing activities. Consistent with Robsen (2008), it was reported by the senior executives that trust allows for fewer people and a flatter organisation. A trusted employer may retain employees longer that are more productive than new hires, which is consistent with Uzzi (1996) and Costigan et al. (1998). Employees that are trusted might be empowered to make decisions efficiently resulting in rapid adaptation to changing market needs. Meeting the needs of the marketplace faster may create a competitive advantage that could result in growing revenues which meet investor expectations. Investors that trust management might continue to buy stock and may hold their positions during the inevitable rough patch, thus giving the company financial stability where other less trusted competitors may fall far behind. These executives acknowledge the interconnectedness of constituencies and that trust (or distrust) can have a ripple effect throughout the organisation. This seems to support the value and appropriateness of a holistic, interconnected-constituencies approach to studying trust.

Consistent with this notion of a more holistic approach to studying trust, Martin Rigby expanded the impact boundary by asserting that direct transaction costs don't necessarily have the greatest economic impact on the business – lost opportunity costs may do the real damage. An easy way to describe lost opportunity costs is to answer the question – 'What productive activities could have been performed while carrying out non-productive activities?' Rigby suggests that there is an added cost to safeguarding activities that are carried out because insufficient trust exists in the relationship, and this added cost may be greater than the direct transaction costs themselves. Consider a business scenario where the owner of a business has high turnover because trust has been compromised among key staff. Instead of selling products and services to new customers and expanding the business, the owner is instead working with a search firm to find candidates, conducting interviews, negotiating terms of employment, training the new hires, managing through disrupted productivity problems, and all of the other activities associated with hiring. The activities themselves certainly have direct transaction costs, but one should consider the costs associated with lost sales opportunities as well.

Carrying forward the example above, as the business owner tries to address high turnover, productivity may decrease, negatively effecting employee morale and revenue growth. As described by the executives, missing revenue and earnings targets could have a dramatic effect on investor confidence and stability, particularly in a company where low levels of trust take away a potential buffer against hard times. In the absence of investor trust, the overall financial stability of the enterprise could be threatened.

The model of optimal trust presented in Chapter 6 also provides a concept worthy of consideration in terms of the economic value of trust to the organisation. If one considers an optimal amount of trust for every transaction, researchers can begin to study the process for charting an optimal trust path as well as what criteria might steer the relationship on and off course. Defining the costs of under-trusting and over-trusting could lead to informed decisions on how much to invest in the trust relationship, and whether or not there will be a reasonable return to that investment in trust. Adopting such a model could change the types of decisions that are made by businesses, and alter the risk/reward strategies employed. When combined with the assertion that direct transaction costs are compounded by lost opportunity costs, the value of defining an optimal level of trust for each transaction becomes paramount.

Summary

The purpose of this chapter was to evaluate the potential economic impacts trust has on organisations and analyse results from the executive interviews to explore the consistencies, inconsistencies and novel conceptualisations with widely cited contributors to the field. The executive reports provided a wide variety of impacts that supported and expanded on the potential benefits that appear in the literature. These executives seem to support the notion that research into the full breadth of impacts that trust has on the organisation is warranted, and the interconnected relationships of trust and the impacts on these connected constituencies should continue to be explored. Consistent with the literature, trust was reported by these executives to have a direct impact on the costs of contracting, negotiating, employee and customer retention, organisational size and structure, adaptation to change and financial stability. It was asserted that direct transaction costs are compounded by the lost opportunity costs arising from attention to non-productive activities such as safeguarding due to a lack of trust. The conclusion drawn here is that, as the literature validates for other groups studied, senior executives report that trust has multiple economic impacts on the organisation. The most noteworthy novel contribution is the potential importance of lost opportunity costs that occur when there is insufficient trust in the relationship. This concept is not readily apparent in the literature. Based on these executive reports, it appears that further study into lost opportunity costs may add an additional dimension to the economic impacts of trust on the organisation.

CHAPTER 9: Metaphors and Trust

Uses of Metaphors

Having explored the nature of trust and why executives think trust is important, this chapter will continue to build on our understanding of trust by reporting the senior executives' discourse of trust by analysing their use of trust metaphors. The senior executives that participated in this study used a variety of metaphors to convey their trust perceptions and experiences. Given the potential significance of metaphor usage, this chapter is dedicated to analysing the metaphors that appeared in the executive interviews with the intention of possibly providing a novel approach to understanding how the executives think about trust in their organisations.

Executive Reports

Consistent with the process and structure used by Gibson (2001), the metaphors used by the executives were pulled directly from transcribed interviews, placed into general categories and then labelled with key identifying terms. The method proposed by Shen (1992) was followed where metaphors were first organised using less stable *ad hoc* categories to expand the possibility of connection between and understanding of one thing in terms of another. After these connections were established, the metaphors were placed into more general categories. The general categories that were created, and which all the executives' metaphors can be allocated to are (1) Science Metaphors, (2) Engineering/System/Spatial Metaphors, (3) Religious Metaphors, (4) Financial Metaphors, (5) War/Violence Metaphors, and (6) Mixed/Idiosyncratic Metaphors. The general categories and examples of the relevant corresponding labels are listed below. To arrive at the categories, an analysis was conducted on the transcribed executive interviews. Using the definitions of metaphors described above, every executive response was analysed and the metaphors were extracted. Each metaphor was assigned a key word or phrase relating to the metaphor used (ad hoc categorisation). For instance, metaphors were assigned representations such as entropy, flexor, evangelist, trust account, currency, and weapon. These were not arbitrary assignments, but rather specific words or phrases pulled from the metaphor that best represented the overall comparison of *one thing to another* that constituted the metaphor. Each of the assigned words and phrases were further analysed and placed into the more general categories of *Science Metaphors, Engineering/System/Spatial Metaphors, Religious Metaphors, Financial Metaphors, War/Violence Metaphors, and Mixed/Idiosyncratic Metaphors.* The six general categories are listed below together with a category definition and the representative key words and phrases that determined their placement. The full list of metaphors placed in context from the executive reports appears in the Appendix of this thesis. It should be noted that this may be a novel contribution to the trust literature as a comprehensive review yielded no papers on the subject of executives' uses of metaphors to describe trust in their organisations. I have followed, where appropriate, the guidance of Gibson (2001) and Shen (1992) to devise the processes of metaphor categorisation and presentation.

Science Metaphors - are metaphors where the objects or processes used in the metaphor are associated with the physical or biological sciences. Examples of terms from executive metaphors that fit into the Science Metaphors category include: entropy, biology, natural and physical, liquid-fast, litmus test, fragile, and weather.

Engineering/System/Spatial Metaphors - are metaphors where the objects or processes used in the metaphor are associated with engineering or technology. This category can also include metaphors that contain systems or spatial references. Precision and predictability are common concepts derived from the metaphors. Examples of terms that fit into the Engineering/System/Spatial Metaphors category include: process, object, adhesive bond, flexor, spectrum, pendulum swing, distance, functional, matching mechanism, managing back, layer, nimble, integrity shift, topping-up, level, placement, step to slide, creep, construction, cycle, soaring on the back, driver, slide, technology, networks, interest alignment, semi-autonomy, sweet spot, cavity, machine, lubricant, macro/micro, fence, circle, aggregate, asymmetry and touch point.

Religious Metaphors – are metaphors where the objects or processes used in the metaphor are associated with spirituality. This category can include metaphors that invoke religious imagery or language related to religious texts. Examples of terms that fit into the Religious Metaphors category include: reverential, casting bread upon water, turning the other cheek, evangelist, burdens of doctrine, sin, Saints, sacrament of marriage, crucifixion, Bible, faith and fervour.

Financial Metaphors – are metaphors where the objects or processes used in the metaphor are associated with business finance, banking or investment. Examples of terms that fit into the Financial Metaphors category include: balance sheet, profit and loss, trust account, base currency, matter of coin, trust bank, endowed accounts, borrowing, start with positive account, investment, flexible accounts, exchange, key to trust vault, currency, pool of trust, value, cost, arbitrage, transaction, and credit.

War/Violence Metaphors – are metaphors where the objects or processes used in the metaphor are associated with violence, harm or fighting. Examples of terms that fit into the War/Violence Metaphors category include: body blow, weapon, vulnerability, big stick, military, fragile, breaking, bodily harm, burning, sexual assault, and shattering.

Mixed/Idiosyncratic Metaphors – are metaphors that either fit into multiple categories or no particular category. Examples of terms that belong in the Mixed/Idiosyncratic Metaphors category include: permission, game, voyeur, tribal trust, colour, short-hand, joint enterprise, exposure, cleaning-up, cooking, feeling, brand, herd, and relevance.

Analysis of Responses[3]

Metaphors serve a number of important functions in conveying complexities that are not easily comprehended. As described in previous chapters of this thesis, trust can be perceived as a diffuse topic that is difficult to grasp, particularly in the way that it is manifested in the organisational environment. It is not unusual, then, that the executives chose to employ multiple types of metaphors in order to convey complex ideas so that their points would be more easily comprehended. Of interest are the types of metaphors used, how they could be categorised in the manner above, and the purposes behind the use of particular metaphors given key characteristics of the metaphor.

Roberts and Kreuz (1994) created a goal taxonomy that allowed 158 subjects to specify the *discourse goals* they wanted to achieve by using certain figures of speech, including metaphors. This study explored why people chose to use metaphors and what they were hoping the listener would take away as a result. The most prevalent reasons reported for using metaphors were (1) to clarify, (2) to add interest, (3) to provoke thought, (4) to compare similarities, and (5) to be eloquent. Taken together, these are all discourse goals that are oriented toward

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[3] The limited number of literature citations in this section is reflective of the fact that this is a novel contribution to the trust literature that has not been considered in other studies at the time of this writing.

helping the listener understand a concept the speaker wants to convey. It could be argued that eloquence is more of a selfish perception-oriented goal, but speaking eloquently can also allow for greater comprehension by the listener.

After analysing the content of the science metaphors, it can be seen that the executives may have been attempting to convey trust as a dynamic and evolving part of the work environment. This is characterised by statements such as trust is like entropy, it grows, it permeates the permeable membrane of a business, whereas dishonesty is like a cancer that needs to be excised, it causes the death of the business, and it is degenerative. The science metaphors used by the executives were also very elaborate and used eloquent language to great effect. Doug Richard states that trust is

> "like entropy – that of its own, in the absence of knowledge, in the absence of information, in the absence of clarity, in the absence of goals people can reach, in the absence of achievements they can be rewarded for, in the absence of structures, cultural structures, that reward the people that everyone knows are doing a good job, and punish the people that are not, that there is a sense of fairness and equity in the world, people will inevitably distrust".

Stating that trust is like entropy – or in a constant state of dynamic and inevitable deterioration – invokes an image of trust always trending toward extinction but for the sustained efforts of individuals wanting to build trust. This metaphor infers that trust requires constant attention and effort to fight against trust's natural tendency to disintegrate and fall into distrust. He goes on to say that the edge of a business is a "permeable membrane" through which trust and distrust flow freely to other parts of the business both internally and externally. Richard specifically points out that, in science, cell walls have permeable membranes that allow for easy passage, whereas impermeable membranes stop whatever comes in contact with them. He states emphatically that "the edge of a business is very, very permeable". In other words, a single indiscretion tolerated inside the business can quickly leak through the permeable membrane of the business and into the external world of customers, suppliers and shareholders. The use of the permeable membrane and cell metaphor add a living, dynamic dimension to the metaphor that other metaphors might not (such as an open door or window). On the opposite end of the spectrum, distrust is portrayed as a degenerative disease capable of killing a business. Although this metaphor could be seen as any degenerative disease, the most immediate candidate to the interviewer was cancer. Taken with the previous metaphor associated with permeable membranes of cells, the use of these particular science-based metaphors spell out an interesting trust and distrust dynamic as described by the executives. Trust and distrust are not containable – the impact of a single act can multiply inside (Janowicz-Panjaitan and Krishnan 2009) and outside the organisation. If the acts are beneficial, they could provide value and improve the overall health of the organisation. If they are detrimental, however, they could do irreparable damage to the organisation over time. If trust is perceived as stationary, dormant or passive, it would not be considered a dynamic and evolving part of the business, which is a concept that the executives wanted to convey. These particular science metaphors were used to draw a clear distinction between the business living a healthy life (with trust) and catching the degenerative disease of distrust resulting in death.

The use of engineering, system and spatial metaphors were used by the executives in some cases to introduce an analytical and predictive character to the discussion of trust in the organisation. Trust is described as a step function, a step-phase change, a forcing function, a complex system, a mechanism for growth, a flexor, and a matching mechanism. Trust is subject to pendulum swings, operating across a defined spectrum, causing integrity shifts, and is perceived to cycle, slide, soar, align, construct, aggregate and lubricate. The seminal attributes of engineering are precision and predictability. If the common notion of trust is as an undefined, diffuse almost ethereal concept, the executives were clearly attempting to place hard edges around and systemise trust in the organisation. Tools can be held and used to build or destroy. Step functions are discrete increases or decreases in operations. Cycles occur predictably over and over again, and lubricants are advanced technologies that reduce friction and allow for more efficient operation. Utilising engineering metaphors allowed the executives to bring the concept of trust from the unknown to the visible, predictable, formulaic realm of mechanics. This desire to add a dimension of predictability and engineering discipline to the conceptualisation of trust seems in contrast to the diminished surety associated with other metaphors (such as religious metaphors) used by executives. The contradictions inherent in the executives' use of metaphors will be addressed in a later section of this chapter.

Religious metaphors may have been used by the executives to introduce the importance of faith and severity of belief and discipline into understanding their conceptualisations of trust. Trust in God was used as a metaphor for trust in the organisation. Trust was characterised as reverential, by casting bread upon the water, carrying burdens of doctrine, and requiring evangelism, faith and fervour. Distrust is the sin of breaching trust and results in crucifixion. It can be said that few things are more personal to those with religious beliefs than their religious convictions. It is in no way assumed that each of the executives held strong religious beliefs, and their use of religious metaphors may have been the result of colloquial reference. Whether intentional or not, the executives' use of religious metaphors and references to stories from the Bible introduced a moral dimension to their trust conceptualisations. For the executives that employed these metaphors, there are moral obligations associated with integrity and being honest. To act differently can be considered sinful. According to Howard Lesnick (1993), religious metaphors are used to give meaning to human life – what it means to be human and the purpose for living. Applied to the organisational environment, the executives could have been utilising religious metaphors to equate being trusting and trustworthy with the most fundamental meanings of working for an organisation. Regardless of their personal religious beliefs (if any), the use of specific words such as reverential, evangelism, and faith places trust in an elevated place in terms of their philosophy of leading an organisation. It is that foundation that the executives may have been trying to lay with their use of religious metaphors.

Financial metaphors have been used throughout history to create a language bond between parties coming from disparate disciplines. William James and John Dewey used financial metaphors to compromise with civilisations that respected business enterprise and communicate with references that were meaningful to them and those to whom they spoke (Livingston 1996). So it is with the executives and their frequent use of financial metaphors. Finance is a language that they understand, and the precise use of particular financial terms in metaphors conveys a meaning that is equally as precise and meaningful. In this study, trust and faith are compared to a balance sheet and P&L (profit and loss statement). There are trust accounts. Trust is a currency, a matter of coin, and a bank. You can start with a positive account of trust, borrow against a trust account, and endow trust. You can invest in trust, hand over the keys to the trust vault, transact trust, have a pool of trust, and a trust credit. There can be trust arbitrage, and there is a cost of trust. Through their use of financial metaphors, the executives treat trust as a company asset that can be invested, traded, saved or spent. The comfort with which they used financial metaphors can easily be explained by reading their backgrounds. Each executive has a strong background in finance from their academic training and their roles within companies. There is also a precision with which financial metaphors are used that demonstrates that they are not struggling to find a connection between the elements of the metaphor – to them, the connection is clear and easily explained and understood. It should be noted that there may have been some interview bias introduced as the researcher also has a background in finance and therefore readily comprehended the references. This was known to the executives. As such, the executives may have not felt the need to explain financial metaphors in great detail. The use of financial metaphors also grounds trust in more transactional terms compared to the spirituality of a religious metaphor or the life-or-death consequences associated with a science metaphor. It makes the concept of trust accessible to anyone that has ever conducted a transaction – bought, sold, or invested – basically everyone. Financial metaphors for trust form a structure around trust and define the processes by which it is transacted in the business environment. Similarly, if trust is considered a financial asset of the company like currency, it is conceptually less diffuse. The tasks performed are familiar, unlike perhaps more technical terms such as step function and permeable membrane.

War and violence metaphors may have been used by executives to convey pain, injury and other consequences associated with trust and distrust. Trust can protect businesses from inevitable 'body blows'. The executives stated that trust is a 'weapon' but is also 'fragile' and can be 'broken'. It can also be burned.

Trust can provide for German military efficiency, but can also have you pointing your guns in the wrong direction. Betraying trust and improper behaviour is like sexual assault (it doesn't just happen once), and can result in the abuse of the vulnerable. The executives' use of war and violence metaphors seems to fall across the spectrum from benign references to military effectiveness to extreme references of bodily harm and violation. One possible reason for the use of the more violent metaphors is that the executives wanted to convey the real physical hurt that a betrayal of trust can inflict. War and violence metaphors include such terms as 'scalp', 'shatter' and 'assault'. The executives using these metaphors were probably attempting to take the impacts of trust out of the mental realm and into the physical. War metaphors were used to convey efficiency of action, precision and ineffectiveness of wrong actions.

Mixed/Idiosyncratic metaphors are those metaphors that defy categorisation in this analysis. They were used by the executives to convey the permissive nature of trust, that trust is a feeling, and that trust is a brand among others.

There is a practical value to understanding the possible motivations behind the use of particular metaphors as they may provide novel insights into the speaker's perception of trust and provide guidance on how to proceed with the relationship. For instance, if an individual uses metaphors consistent with the science category, one might conclude that the individual perceives trust as a dynamic, evolving part of the business. As such, it might be important to recognise that the trust relationship will change over time and flexibility and adaptability to changing conditions will be important to maintain a strong relationship. If metaphors fall into the financial category, one could surmise that the individual perceives trust as an asset that is meant to be invested for a return like any other asset in the corporation. In that case, it might be appropriate to ask what kind of financial returns are expected to ensure a trusting relationship is built. If engineering metaphors are used, one could gather that the individual might view trust as predictable and measurable. It might be appropriate in that case to ask what precise performance measures (when achieved) might help build the trust relationship. If religious metaphors are used, it might indicate that the trust relationship is very personal to the individual and breaching that trust will inflict emotional damage. They may hold trust in a special place, and it could call for developing a nurturing trust relationship and regularly communicating the security and comfort between transacting parties. If war and violence metaphors are used, it is possible that the individual recognises that trust can be both harmful and protective. In that case, it would be important to monitor the individual in the early stages of relationship development to ensure that you are dealing with a trustworthy party.

Table 8 summarises the metaphor categories, the metaphor user's perception of trust, and the proposed trust building response from the listener. It is from the perspectives of a customer and supplier, where the perception of trust refers to the customer's perception of trust (as defined by their use of metaphors) and the response from a supplier wanting to build trust with the customer. It is suggested that understanding a speaker's perception of trust through their use of metaphors may allow the listener to respond in a way that is appropriate for building trust. Further research will need to be conducted to validate this concept.

Table 8. Metaphors, trust perceptions and responses

Metaphor Category	**Perception of trust**	**Trust building response**
Science	Dynamic, evolving part of the organisation	Recognise that the trust relationship will change over time and you must be flexible and prepared to adapt to the changing needs of the customer.
Engineering/System/Spatial	Measurable, quantifiable	Build in precise performance measures (even down to the task level) to provide constant reinforcement that everything is on schedule and there are no surprises.

Religious	Personal, emotional bond	Nurture the relationship; provide an abundance of communication and reinforce the security of both the business and personal relationship.
Financial	Company asset	Measure the return on investment (ROI) provided by your involvement - increased ROI means greater trust.
War/Violence	Trust can harm and protect	Monitor the relationship carefully in the early stages to see if you are dealing with a trustworthy individual or an opportunist.

It is possible that the perceptions of trust as communicated through metaphors could provide valuable insight and guidance in moving a trusting relationship forward.

Imagery, sophisticated metaphors and contradiction

In addition to the metaphors presented in the preceding section, the executives employed imagery when discussing trust in their organisations, and used some sophisticated metaphors that warrant further consideration. Also, it was found during the review of their responses that certain metaphors were contradictory to one another. These topics are explored in an attempt to glean a better understanding of their thoughts on trust.

Imagery

MacInnis and Price (1987) define imagery as a distinct way of representing information, more associated with painting a picture rather than providing a description (Fodor 1981). The executives' selective use of imagery allows them to create representations of trust dynamics in their organisations that mere definitions couldn't accomplish. Below are some selected examples of uses of imagery that add additional depth to the understanding of the executives' conceptualisations of trust in their organisations.

While exploring the dynamics of trust in the organisation, Doug Richard remarked,

> "I believe that what bubbles out of a trusting company is a series of ways of working, where things are uncommonly efficient, where the business hums, where people just go and get done what needs to get done, where

they've worked out all those trivialisations that we hear about endlessly."

The image elicited could be that of a science experiment where a beaker filled with a unique mixture causes only the valuable essence of the concoction to emerge from the top. Although the ingredients of a trusting company aren't defined here, what comes from those ingredients are important to the organisation – including efficiency, shared purpose and focus on mission.

Michael MacSwiney commented,

> "Corporations will go through a period where they become trusted, they become paternal or maternal or benign or benevolent - and then inevitably some high profile series of incidents show that most corporations are not to be trusted and that trust is shattered and then the pendulum swings the other way too far and then it is assumed that all corporations are not to be trusted, and therefore, it spreads across the entire business culture, and a lot of businesses knee jerk react to that by clamping down as it were, and that is a metaphor, by letting their internal culture, even if they had a culture of trust, dispel so that they can be seen to be taking action. I think that that is action without merit, especially if you are in a trust based culture."

The image presented here is that trust is a pendulum that swings back and forth - sometimes swinging too far given the circumstances. The use of a pendulum is particularly interesting as it elicits a sense of predictability. A force placed upon it will cause the pendulum to start swinging; perhaps erratically at first, and then it falls into a predictable rhythm of sways that decrease over time until a new force is placed upon it. In the same way, trust in an organisation can be erratic when actions that cause distrust are introduced. This can cause extreme variance from the normal sway and the pendulum of trust goes into a space where the company can no longer be trusted. It is the knee jerk reaction of the company then to "clamp down", or grab the pendulum to stop the swinging, in the hope that others will see quick action on the part of the company to get things under control. Stopping the pendulum altogether, however, can have unintended negative consequences and bring the company's progress to a halt.

When discussing the disadvantages of trust, Martin Rigby said,

> "The disadvantage, of course, is the expectation that you will trust and be trusted, and sometimes the trust, for whatever reason, misunderstanding or whatever, you don't want to trust as much as you used to trust. Somehow you've got to manage coming back from trust. Or, in my case, as an investor, I'm a steward of other people's money. I have to go through the hoops. I might want to trust completely and say *Ray, it doesn't even need a letter. All we'll do is shake hands on it today and you*

> *get on with it.* I'm a regulated fund manager. I have big institutions that give me money to manage. They would expect me to have a process. So, therefore, we've got to wind trust back and say, *But I'm sorry Ray, we're going to have to go through these hoops*, even though it seems to be undermining trust because I'm a steward of other people's money, I have to be seen to be going through the processes. So that's one disadvantage of trust - is sometimes you can appear not to live up to it."

The use of the term "winding back" elicits the image of having cast a lure too far beyond the ideal spot and reeling the line in to achieve a desired result. The winding back could refer to the use of safeguards to reduce the vulnerability resulting from too much trust. It is proposed in Chapter 6 of this thesis that there is an ideal or optimal amount of trust for every transaction, and a model for directing the relationship toward that optimal point is described. The imagery created by this metaphor is effective as it represents a cast that falls well beyond the optimal point, and it must be reeled back to where it belongs given the desire to complete the transaction in the most efficient and appropriate way. Casting too far will not result in a catch – nor will casting too short. It is rare to cast the exact right amount the first time, just as it can be difficult to allow for just the right amount of trust in the first transaction. There must be a mechanism to allow for a winding back or reeling in of the trust so that one is neither too vulnerable nor too opportunistic. Similarly, the imagery elicited by this metaphor could be that of a kite that has been let out too far, resulting in losing sight of the kite. It would be prudent to wind back the string and bring the kite closer in – not so close that it loses the breeze and crashes to the ground – but just the right amount so the kite can sail efficiently and within sight.

In his description of misplaced trust, Nicholas Baring states,

> "I can remember even the last part of 1983 and 1986 and 1989 when I left Barings, this was already becoming apparent and there were some individuals there who - I think we all recognised that they could make a big contribution to the business but they needed an underpinning of controls, and I think that the firm just failed to find the right way through to that control system. It was a different relationship and it was felt that by introducing some of the trusted figures into their part of the organisation one could achieve the similar knowledge. There were some definite cavities in the organisation – a hollowness."

The imagery used here is that of a cavity or hollowness being filled with trust, as perhaps a cavity in a tooth might be filled with gold or silver to stop the decay. It is an illustrative use of the term "cavities" as it brings to mind the entire process of cavity formation and repair. Like a cavity in a tooth being started by acid producing bacteria, acts of distrust can create holes in a business that decay the structure and cause pain. Filling the cavity will stop the decaying process and re-establish the structural strength. In the case of this metaphor, the executive refers to the introduction of “some trusted figures” to fill the cavities in the business caused by distrust. More specifically, a situation had evolved where the executive knew a distrustful individual was harming the business, and he felt that sending a trusted member of the team to work with the individual (to fill in the cavity) might prevent further damage and restore the integrity of the enterprise. He was using trust to fill the void in the belief that the problem would be solved.

When describing the importance of trust, Doug Richard said,

> “When you talk about trust between Corporation A and Corporation B, from a vendor and a customer, it’s really between people who manage the lead individuals who manage that relationship, and if one of those sets of individuals sets out to earn the trust of the individuals on the other side of that fence, so you are still back to individuals deciding to trust or not and in handing over the keys to trust.”

By employing this imagery, perhaps Richard wanted to ensure that trust was perceived as a valuable and precious asset that is held closely and securely behind lock and key – perhaps protected in a vault. People only place their most important possessions in a vault. It may be jewellery, cash, or some sentimental item that is seen as irreplaceable. For this executive, trust is seen as the equivalent to these valuable items. It is unclear why trust is placed in this value category. Is it seen as a valuable asset such as jewellery or currency? Or is it seen as something much more personal and sentimental that cannot be easily replaced? It could be both, where it has a hard value like cash and yet also carries with it a part of the person handing it over – a part of their soul and personal investment much more linked to principles and beliefs. The keys to the vault are handed over to those that are worthy based on a set of decision-making criteria. Once that is done, the giver is vulnerable to the taker. Will the taker abuse the trust which has been given, or will they reciprocate in kind and recognise the value of the gesture? That is where faith and risk, trust and safeguards intersect in the hope that a successful transaction will take place.

Addressing the economic impact of trust on his organisation, Martin Rigby stated,

> "It means they are quick to market and quick on their feet and more adaptable - the classic business of being able to out-manoeuvre large corporations because the trust component in a smaller organisation means that information can be shared more quickly and evaluated more quickly and new plans are put into place more quickly. Direction change more quickly -- and for us, that's absolutely right. When it works, then the communication back to us (as the investor) compliments and reinforces that nimbleness of foot in the development of the business."

The concept of trust making the organisation more nimble of foot brings to mind the image of a professional athlete getting extra athleticism out of high-performance shoes, where the business is the athlete and the high-performance shoes represent trust. Just like the right shoes can make an athlete quicker on his feet and more adaptable to evolving situations on the pitch, so can trust make a business quicker, faster, and able to change directions more rapidly – in short, more nimble of foot. This equates to the economic values of trust such as doing deals faster, hiring more efficiently and responding to change more rapidly. Imagine if a world class footballer had to play the game in dress shoes. It would certainly hamper his ability to run, make cuts and control his motion. This same footballer with the right high-performance football shoes would be able to dig into the ground, make sharp cuts, accelerate and decelerate as the pace of the game and scoring opportunities dictated. So it is with trust in a business. According to the executives, when trust is present in a business it allows for faster responses, decision making and altogether better performance of those charged with delivering the goods.

Sophisticated Metaphors

In addition to the explicit imagery employed, the executives also use metaphors that, upon deeper analysis, demonstrate an elaborate approach to communicating their conceptualisations of trust and allow for a deeper understanding of their intentions. One such example comes from Michael Mainelli and the information technology domain.

> "Our theoretical background to trust is probably built on two things. I had to come at it with a computing paradigm which is very much the kind of handshake type protocols - I've got a piece of information that has come down the wire. How do I know who it's from? How do I send back to the person who sent me that piece of information that I am who I am? Basically how do we handshake? And I think there's a lot in that. This is a good idea because I think that the Computing Paradigm is a very, very good one and is boiling down to the essence of a transaction of communication."

At first glance, this metaphor may seem simple in its construction and intention. However, understanding the technology and purpose underlying a "computer handshake" adds a depth and breadth to this metaphor that make it much more meaningful and relevant in understanding the dynamics of trust. In its simplest terms, handshaking is the process whereby one computer establishes a connection with another computer and begins communicating. A message is sent from one device to the other indicating a desire to open up a channel of communication. Based on the message sent and how it is received, the two devices then send several messages back and forth in an attempt to establish an agreeable communication protocol, or the rules in which the two will communicate. During this sending and receiving of messages, the foreign computers are learning more about each other and negotiating before formal and secure communications are established. More than anything, it is the way in which two entities greet one another and verify key information before moving to the next level of the communications relationship. With this understanding of the concept of computer handshaking, it is not difficult to understand the relevance of the metaphor when applied to trust relationships. The executive is describing his manner of establishing trust with people – he sends a signal to another party indicating his desire to establish a trust relationship, and based on what he learns throughout several interactions, and based on a set of established criteria, he can make the decision to enter into this relationship or not. Certain key information has to be verified before formal communications can be established beyond the initial outreach. Put another way, you have to verify who you are talking to and what they are made of before a relationship can be established. Like computer handshaking, the sharing of information and mutual acknowledgement of a desirable match provides for additional security and alignment for future interactions.

Perhaps one of the most provocative metaphors used by Doug Richard was the concept of trust as a weapon.

> "Trust is a weapon. I believe there is an absolute direct hard-core correlation between trusting and vulnerability, and that there is no way around it. The two are aligned perfectly. The more I trust you, the more I am vulnerable to you abusing that trust. Thus, being trusted is a weapon, trusting is not. Let me make it even more cynical. Acting in a trustworthy

> manner is a very powerful weapon. If you just took that statement in an unadorned fashion and said it to somebody, they would be hard-pressed to figure out what that meant. Notice I said the word *acting*, that's the hub of that sentence. I didn't say *being trustworthy*, I said *acting in a trustworthy manner*."

Richard establishes a direct correlation between the amount one trusts another party and the vulnerability the trusting party is accepting. The more one trusts, the more vulnerable they are to opportunistic behaviour of the trusted party. The weapon, as described, is in being trusted, and therefore belongs to the trusted party. As the beneficiary of someone else's trust, the trusted party can turn that trust against them in an instant. It is the con man's game – earn the confidence and trust of another individual with the expressed intention of betraying that trust. A high-profile example of this occurred in the United States when an investment manager named Bernie Madoff was handed the trust of friends and investors to place their money in securities that would provide them a fair return on their investments. He then squandered their money (as much as $80 billion dollars) by running an elaborate Ponzi scheme that essentially stole their life savings on the back of trust. This example is used to illustrate the second part of the executive's point above. Being trustworthy is not the weapon, but rather "acting in a trustworthy manner" is the weapon. The distinction is clear. If I am a trustworthy individual that means no harm to those trusting me, trust is not considered a weapon regardless of the lack of success I may have in any endeavour. If however I am only *acting* in a trustworthy manner, playing a part so as to convince you that I will not take advantage of your vulnerable state, according to this executive I am using one of the most powerful weapons available. When you are at your most exposed, the weapon can be turned against you and you're left with little recourse. When described in these terms, trust becomes a paramount criterion of decision-making, where the consequences of placing trust in the hands of the wrong person can be devastating.

Much has been made of the economic value of trust in a previous chapter. It is proposed that trust makes businesses more efficient and productive when present. Scott Charney chose to put it this way:

> "I think in that sense it's a really useful exercise in looking at trust because I think leveraged well, used well, and understood well, it can give a short hand for business transactions which is incredibly impatient and fast."

Short hand is used in correspondence to abbreviate communications through the use of symbols instead of the long hand writing employed most commonly. Here trust is defined as a kind of short hand for business transactions that allow them to be carried out more efficiently. When trust is present, it may alleviate many of the safeguards normally present in transactions – such as multiple meetings to make a sale, several interactions with expensive lawyers, massive contracts that restrict the two parties' ability to work productively and with greater freedom. Trust as short hand means that there doesn't need to be as much said, explained or transcribed between parties to communicate and transact. The metaphor points to an added efficiency that isn't present when trust is absent.

Almost all of the executives used financial metaphors to communicate their conceptualisations of trust in their organisations. Many of these were described earlier in this chapter. One financial metaphor used by Doug Richard seemed particularly interesting and didn't necessarily lend itself to being understood a priori and thus requires some elaboration.

> "I believe that there is only one type of trust and the only difference between faith and trust is that one is a balance sheet and one is a P&L. Faith is what you have at the moment -- trust is what is moving back and forth."

Although efficiently stated, this metaphor is deep in meaning and relevance. In business finance terms, a balance sheet is a snapshot of a company's financial standing at a precise moment in time. A P&L (or profit and loss statement) is a statement that summarises the revenues (or income) and expenses of a business over time, such as weekly, quarterly or annually. P&L statements are generally considered to be a better indicator of the functioning of the business because they give evidence of the company's ability to move revenues up and expenses down, or increase assets and lower liabilities. The executive that used this metaphor states that faith is like a balance sheet – it's what you have at a specific moment in time, but it's not as important an indicator of the health of the business as trust, which he equates to a P&L. One can have faith or hope that a business is doing the right thing, but faith is rarely based on empirical evidence. It is always there (regardless of when the snapshot is taken) and rarely wavers or varies greatly. Trust, on the other hand, moves up and down and is constantly changing based on the circumstances and forces working for or against it. The notion of trust "moving back and forth" is consistent with the two sides of a ledger, where income is expended or invested to create further revenue generating opportunities. An employee may lose trust in a manager until that manager takes an action that reinforces and builds trust again with that employee. Just like the income and expenses reported in a P&L over time, trust will move up and down. By drawing this distinction, Richard points to trust as the true indicator of how a business is doing just as he would look to the P&L to measure the health of the business.

Contradiction

The executives repeatedly used metaphors to describe their conceptualisations of trust in their organisations. Many of the metaphors were consistent with the operational conceptualisations explored in other chapters of this thesis – but that was not always true. In some cases, possibly due to the inherent complexity of the nature of trust, several of the metaphors employed by executives were contradictory to one another. Taken on a macro scale, for example, the very precision of engineering metaphors seem to clash with the faith-based religious metaphors. Yet, both were used by executives with regular frequency and equal conviction. Before addressing the possible reasons for these contradictions, it is appropriate to review some specific examples. To some, trust is quantifiable and measurable. For example, when Doug Richard was asked how he measured trust, he responded,

> "I'll tell you what you can do - you can note whether it is going up or down over a period of time as between both individuals and generally within the context of the Corporation, and you do it through the proxies of people's behaviours".

For Richard, monitoring behaviour gives the best indication of whether trust is building or fading. Yet, in contrast, Martin Rigby put forward the challenge,

> "You describe to me precisely the edge of the universe, and I'll tell you how to measure trust."

In other words, a measure of trust is unknowable. How can two executives that both recognise the importance of trust to their organisations have such differing opinions about the act of measuring trust? In this case, one can question the reliability of *monitoring behaviours* as a measure for trust. When pressed, it was not clear what specific behaviours the executive used for trust assessment beyond happy and productive employees. It is not uncommon for an employee to seem happy and productive as they simultaneously plan to leave one company for another more satisfying job. On the other hand, is the measurement of trust truly as mysterious as the edge of the universe? Probably not, as there have been numerous measures of trust proposed by scholars that purport to be effective (Cook 1980; Laporta 1997). The ability (or lack thereof) to quantify or measure trust is just one example of the numerous contradictions in the use of metaphors to be found in the executive reports. Consider the following tables of contradictory statements made by the executives. Table 9 is a presentation of contradictory metaphors the executives used to convey trust measurement. Table 10 is a presentation of contradictory metaphors the executives used when discussing the predictability of trust. It should be noted that some of the cells in Table 10 are empty because this is not intended to report a balanced and polar set of opinions.

Table 9. Contradictory metaphors: trust measurement

Trust is measurable (quantifiable)	**Trust is not measurable (not quantifiable)**
How do you measure trust? I'll tell you what you can do - you can note whether it is going up or down over a	You describe to me precisely the edge of the universe, and I'll tell you how to measure trust.

period of time as between both individuals and generally within the context of the Corporation, and you do it through the proxies of people's behaviours	
If you want to measure trust, the measurement has these three distinct components in it that have to be aggregated.	At the end of the day trust is a feeling so it's future perceived perceptions – it's not just mathematical – it's about how you feel your relationship is going to be with this firm that really matters.
But you have to be intelligent about the handing out of trust; the measurement of what constitutes trustworthy behaviour just because trust is very, very useful and very, very important does not mean you have to be naïve.	Observational analysis is just as useful in the biological sciences as the measuring of speed of particles is in the physical sciences; so too in trust. Just because it's a phenomenon that you are actively observing doesn't mean that it has to be quantified – oh he's got one unit, he has two – you don't have to count but you do have to observe, analyse, and understand.

He has already calculated a negative account.	
They trusted me so they borrowed that trust on my account for his benefit and he trusted me, so then he borrowed on my account for their benefit. If anyone had not acted in accord, my account would have diminished considerably.	
I think trust is built in organisations by starting with an assumptive, positive account on all parties' behalf. Therefore, everyone should start with a credit account, not with either a neutral or negative account, and then they either betray the trust or they can build on it.	
So, what is interesting about that is the more you trust someone, the more you invest or handover to them coins of trust, the greater their account	

becomes, but the greater the potential for them to be viewed as untrustworthy.	
That's all I'm trying to say is that, invest once using trust to understand and respect and then you can do a whole series of transactions on that pool of trust and understanding as opposed to having to do due diligence and negotiate a contract every time.	
Trust is a currency between people is my basic premise.	

Table 10. Contradictory metaphors: trust predictability

Predictable	Not Predictable
If you want someone to trust you, or if you want to increase the level of trust they have in you, you must perform acts that are seen by the person that you're aiming them toward, as to inspire in them a step up in their	Honesty breeds trust more than anything. The challenge is, it's hard to be honest with unpredictable facts.

willingness to trust.	
Troubled times are either exciting or frightening depending upon whether or not you trust that everyone is there to catch you. You trust whether the business will survive, if you believe.	I would take the view that in the absence of the creation of trust, there is no neutral—trust is a dynamic – it is moving all the time. If you're not creating, encouraging and developing trust in your relationships, it falls into distrust.
	Loyalty to the corporation is never unshakeable.
	As soon as somebody acts in a way that is untrustworthy, it will simply spread throughout that portion of the business and it will spread to lots and lots of points outside the business,
	We expected the wider system to enforce honesty at certain levels, and that breaks down if the feedback loop isn't there.

The executives also used metaphors to describe four distinct representations of trust dynamics in the organisation that were contradictory to one another. Trust was described as increasing and decreasing (Step Trust), going side-to-side (Continuum Trust), swaying like a pendulum (Swinging Trust) and falling into layers, levels and stages (Layer Trust).

Step Trust can be represented as trust increasing and decreasing (stepping up or stepping down) over a number of interactions.

Examples of executive statements describing Step Trust include:

> "(Trust) is a step function... not a smooth process. When I say it's a process, it doesn't necessarily mean it's a continuous flow process." (Doug Richard)

> "And it's either I'm trusting you more overtime or less overtime, and I would assert that it is a step function. Meaning that it kind of cruises along at a certain level once it's been established at that level until activities make it change... either it steps up or it steps down." (Doug Richard)

> “The most effective management tool I can imagine is being very effective at the forcing functions that cause people to increase the amount they trust you.” (Doug Richard)

> “With a high value investment where you've got more formal management or contractual arrangements, you have to trust less. The mandatory degree of trust is reduced because the contract is underpinning it, whereas if all you've just got is ordinary shares and less contractual influence, you have to trust a very high degree because you are relying on the management to communicate with you to fulfil that side of the bargain.” (Martin Rigby)

Continuum trust can be represented as trust moving across a trust spectrum. Distance from one point to another is indicative of this type of trust representation.

Examples of executive statements describing Continuum Trust include:

> “You trust them this far. Somebody else you trust that far.” (Martin Rigby)

> “Somehow you've got to manage coming back from trust.” (Martin Rigby)

Swinging Trust can be represented as a pendulum swaying in the air from one extreme to the opposite extreme.

An example of an executive statement describing Swinging Trust is:

> "Corporations will go through a period where they become trusted, they become paternal or maternal or benign or benevolent and then inevitably some high profile series of incidents show that most corporations are not to be trusted and that trust is shattered and then the pendulum swings the other way too far and then it is assumed that all corporations are not to be trusted, and therefore, it spreads across the entire business culture, and a lot of businesses knee jerk react to that by clamping down as it were, and that is a metaphor, by letting their internal culture, even if they had a culture of trust, dispel so that they can be seen to be taking action." (Michael MacSwiney)

Layer Trust can be represented as a series of layers, levels or stages that are indicative of some qualitative change in trust (rather than the quantitative change associated with Step Trust). The idea of layer trust may be looked upon as a support to the hierarchical notion of trust enumerated in Chapter 5.

Examples of executive statements describing Layer Trust is:

"The other thing, of course, is how you reach a layer of trust. What happens if you lose confidence? If you lose trust? If you don't trust that person as much, somehow you've got to manage the relationship back down to a layer of less trust and more formal exchange of information and decision making - more investigating - more due diligence - more contracts." (Martin Rigby)

"So what was that level of trust? It built up to a level, whereas as a professional now, half of all effort in professional offices is covering your back, getting letters of indemnity, escape clauses, caveats, building a file to protect every decision." (Michael MacSwiney)

"This is the right level of trust in society taking into account the full range of interactions. When you've got too much trust, you wind up with con men and make you wind up with volatility in the system. When you have too little trust, you wind up with high transaction costs, and again, you have more volatility in the system." (Michael Mainelli)

"Trust is this thing...different people will entrust others to different degrees at different levels of trust." (Nicholas Baring)

What can account for these distinctly different representations of trust and outright contradictions regarding trust measurement and trust predictability? Hill and Levenhagen's (1995) study of contradictions within metaphors may provide some guidance. According to the authors, metaphor contradiction increases the effectiveness of communicating a novel concept or vision. Contradictions capture the *temporal tension* (Bird 1988) between concepts and reality (Hill and Levenhagen 1995). When applied to the question of contradictory metaphors from the executive reports, the notion of capturing temporal tension could provide insight. For the executives that believe they are measuring trust through behaviour assessment, trust is indeed measurable in a meaningful way for that executive and organisation. For those that believe that measuring trust is akin to measuring the edges of the universe, the notion of behaviour assessment as a reliable measure of trust is not acceptable. For one, measuring trust is a reality, for the other it is simply theoretical conceptualisation. In that inherent contradiction is the principle value – the tension created in the contradiction provides the most effective way to communicate the complexities of trust. Trust can be predictable and unpredictable. It can be quantifiable and unquantifiable. It can step and swing – in the same way as there can be *controlled chaos* and *virtual reality*. There may be no other pathway for properly communicating the novel concept of trust but to provide a series of contradictions so one might capture the tension between reality and conceptualisation. That may be where the best idea of trust lies.

Trust can be a difficult concept to grasp just as it can be difficult to explain the way it manifests itself in a company. The executives used multiple metaphors to try and communicate the relevance and importance of trust. In addition to measurable and immeasurable, predictable and unpredictable, trust is seen as dynamic (*Trust is a dynamic – it is moving all the time. If you're not creating, encouraging and developing trust in your relationships, it falls into distrust*) and as stable as currency (*So, what is interesting about that is the more you trust someone, the more you invest or handover to them coins of trust, the greater their account becomes*). Trust is characterised as a liquid lubricant (*It oils the wheels in a sense. Things work smoothly. It cuts out some of the friction*) and something solid that can be handed-off (*the person who hands off trust*). Comprehending the full breadth of trust may require one to travel from the tangible to the ethereal, a place where contradiction is accepted and necessary for full conceptual understanding.

The executives use multiple metaphors, some contradictory, to communicate their novel conceptualisations of trust in their organisations. They employ imagery in their metaphors to create a visual reference for the listener that may aid in the understanding of the point they are making. They use sophisticated metaphors to add dimension to trust that mere definition can't accomplish. It may be the very nature of trust that explains why these communication techniques are used. Oliver Williamson (1985) asserted that trust is too diffuse a topic to be considered in transactions, but the executives' use of metaphors in this study indicates a strong desire to communicate the importance of trust in transactions and everyday business life.

Summary

The purpose of this chapter was to address the variety of metaphors employed by executives when conveying their conceptualisations of trust in the organisation. A review of the literature produced some research into the reasons why metaphors are used and methods by which metaphors can be categorised. The metaphors presented in this chapter were extracted from hundreds of pages of transcribed interviews, analysed, and categorised into six distinct metaphor types: 1) Science Metaphors, 2) Engineering/Systems/Spatial Metaphors, 3) Religious Metaphors, 4) Financial Metaphors, 5) War/Violence Metaphors, and 6) Mixed/Idiosyncratic Metaphors. Each metaphor category was analysed and intentions of executive usage were proposed. It was proposed that Science metaphors were used by the executives to convey trust as a living organism within the organisation. Healthy organisations were associated with trusting organisations, while distrust was associated with degenerative disease and the death of the organisation. Engineering/Systems/Spatial metaphors were used to introduce an analytical, measurable and predictive character to trust in organisations. It was proposed that the executives used these metaphors to dispel the notion that trust is a diffuse and ethereal concept and make it more concrete and definable in the way it manifests itself in the organisation. Religious metaphors introduced a spiritual dimension to trust that accentuated the meaningful role it performs in the organisation. Although appearing to be potentially contradictory to the secular metaphors associated with engineering and finance, it is suggested that the use of these metaphors is actually complimentary and provides a novel perspective of the breadth of conceptualisations of trust presented by the executives. It was proposed that financial metaphors were used due to the executives' familiarity and comfort with the terms, and further established trust as precise, manageable and measurable. Placing trust within the known and well-defined processes of financial transactions allowed the executives to discuss trust as a company asset that can be invested, saved or spent. It was proffered that war and violence metaphors were used by executives to convey the physical pain associated with broken trust and the military precision of the organisation when trust is present. It was suggested that the use of violence metaphors was an attempt by the executives to bring trust out of the psychological world and into the physical world. Mixed/Idiosyncratic metaphors that defied categorisation for this analysis were also employed by executives to convey an understanding of complex conceptualisations of trust in organisations. It was proposed that the use of particular categories of metaphors may provide insight into perceptions of trust that could give guidance on how to proceed with relationships. The metaphors were further explored by breaking them out into contradictory categories and conceptualisations. The executives used metaphors that described trust as measurable and not measurable, predictable and unpredictable, as stepping up and down, swinging, operating on a continuum and moving through qualitative stages. It was proposed that contradictory metaphors provide a pathway for communicating and understanding the complexities of trust in the organisation.

Imagery creates a visual reference for the listener that may aid in understanding the point the executives are trying to communicate. Sophisticated metaphors were used to add dimension to the nature of trust that goes well beyond definitions.

It has been reported in the literature that metaphors provide deep insights into how we communicate complex ideas because they are based on a conceptual and experiential process that structures our world (Su 2002). The senior executives used a variety of metaphors to convey their trust perceptions and experiences, and through these metaphors they have provided additional insight into their thoughts about trust in their organisations.

Chapter 10 that follows presents alternative configurations of trust reported by the senior executives and provides an expanded understanding of the nature, importance and conceptualisation of trust. An optimal trust model compiled from the executive reports is also presented.

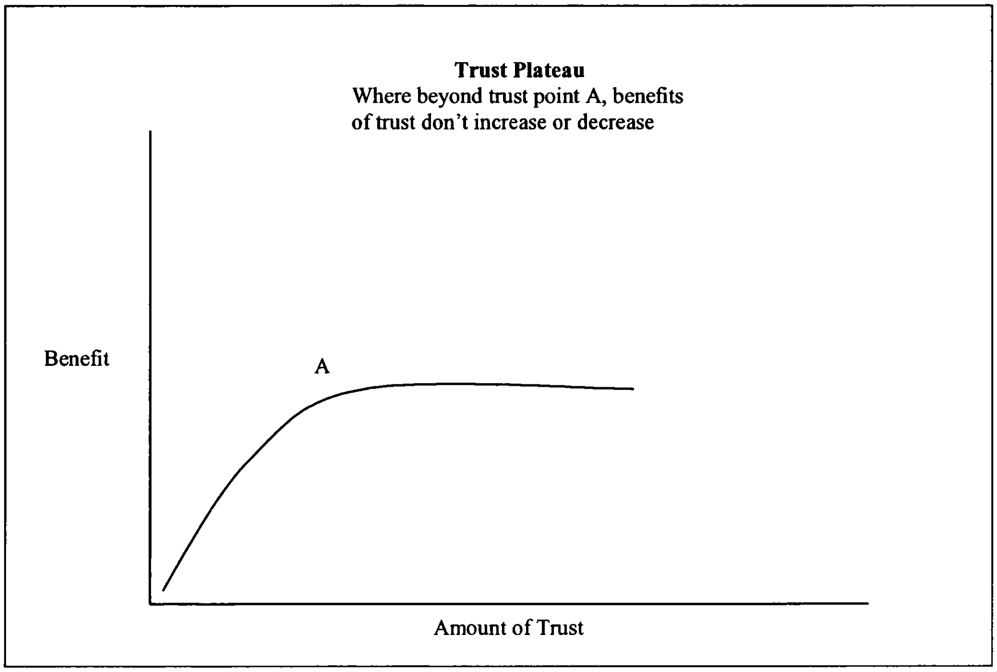
CHAPTER 10: Configurations and Model of Trust

Alternative Configurations of Trust

In addition to an optimal trust model based on anticipated trust and experienced trust, the data provided in the executive reports can be interpreted in alternative configurations. The executives reported several economic benefits of trust in chapter 8 of this thesis. High trust was reported to shorten the sales cycle, improve hiring practices, increase retention, make the organisation flatter, allow for rapid adaptation to change, and provide greater financial stability, among others. When the amount of trust between transacting parties and corresponding benefits are graphed, where the x-axis is the amount of trust and the y-axis is the benefit derived, and the executive responses are represented in this way, the diversity of trust dynamics is illustrated.

Rigby referred to the condition whereby trust reaches a certain level and plateaus at a point where no more benefit can be derived. This would be consistent with Wicks et al.'s (1999) concept of overinvesting in trust where continued investment in trust which has reached its optimal point will not provide additional benefits. Graphically represented, the trust plateau concept might be consistent with the following:

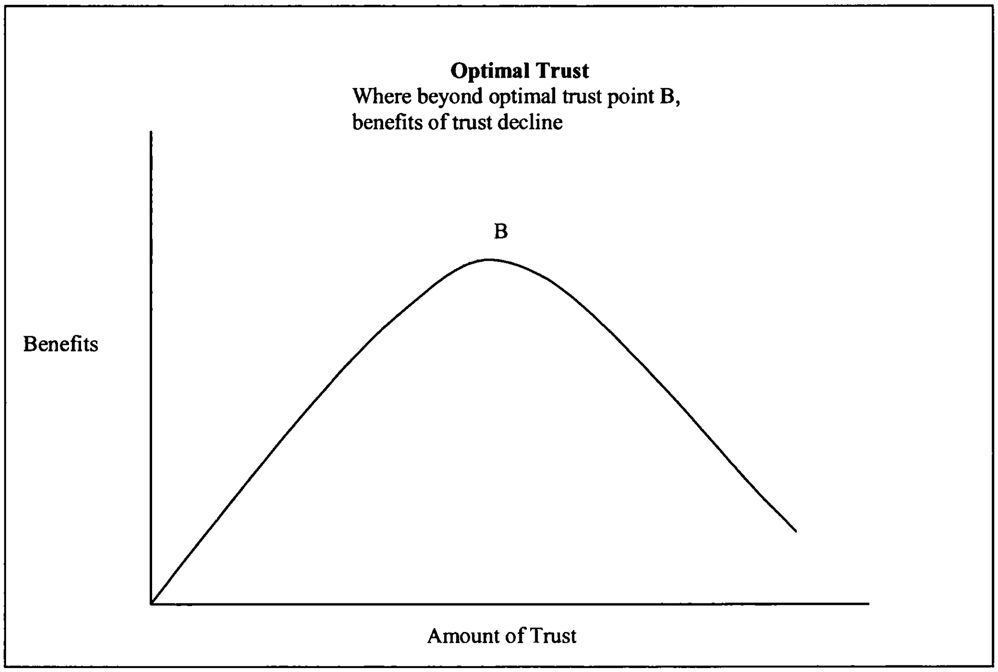
Figure 8: Trust Plateau



As trust increases, the corresponding benefits increase until point A. At this point, the trust continues to increase but the benefits don't increase. The implication is that continuing to invest in trust may increase the amount, but it will only stand to maintain the benefits achieved without creating additional value.

The optimal trust concept described in the earlier chapter can be depicted on the trust/benefit graph as well.

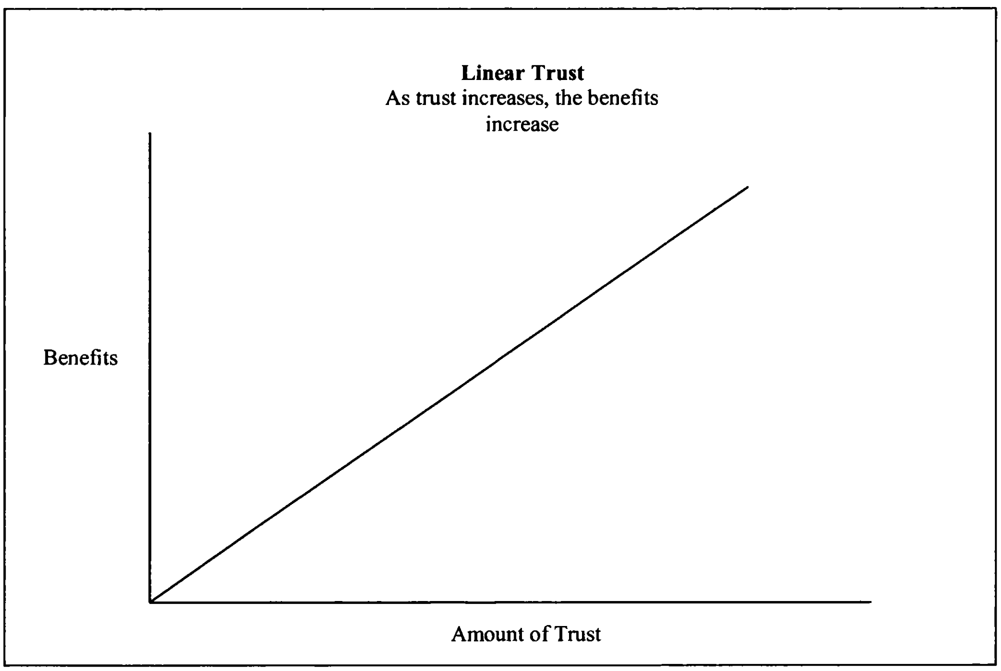
Figure 9: Optimal trust



Initially, as before, trust increases over time in a linear manner with the benefits derived. At point B, an optimal trust point is reached where the amount of trust created provides the greatest benefit. After this point, the benefits associated with trust decrease even though the amount of trust continues to increase. This would actually be consistent with the concept of an alternative representation of the trust paradox that was proposed in an earlier chapter. The trust paradox was described as a condition in which, beyond a certain point, trust has exceeded the parties' capacity and turns into distrust. In short, the parties feel too vulnerable to one another. As it could apply here, instead of turning to distrust, the paradox is more consistent with a law of diminishing returns, where continued increases in trust beyond some optimal point B actually decrease the benefits because the parties are feeling too vulnerable and the benefits decline.

Now consider a straight linear model, which would be the quantitative equivalent of the widely cited qualitative hierarchical models proposed in the literature. The hierarchical models suggest that improved benefits are improved as the quality of trust increases. As one might recall, Sako (1998) refers to the levels in ascending order as contractual trust, competence trust and goodwill trust. Barney and Hansen (1994) propose weak-form trust, semi-strong form trust and strong-form trust. Lewicki and Bunker (1996) label the levels as calculus-based trust, knowledge-based trust and identification-based trust. These ascending levels could be represented graphically as such:

Figure 10: Linear trust

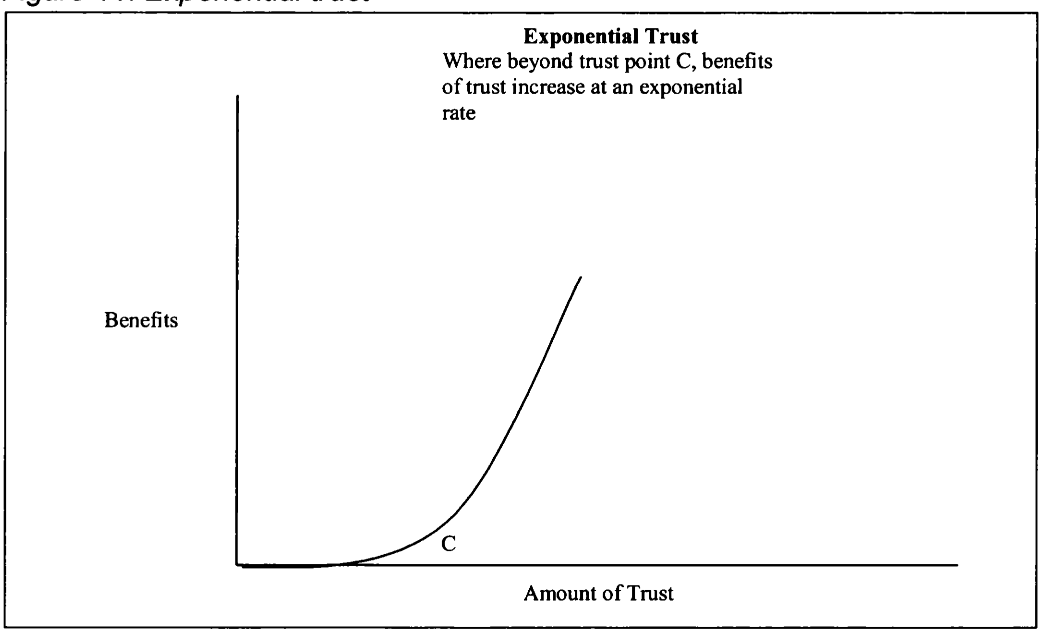


This is a linear representation of trend, although as Lewicki and Bunker (1996) recognise, trust evolution may actually be more like the game Chutes and

Ladders, where trust may slide up and down on the way to the top based on actions that either build trust or diminish trust. The implication of a linear trust model is that an increase in benefits corresponds with an increase in the amount of trust. One could argue that, based on the executive's responses, this model doesn't represent the full breadth of trust and all its manifestations.

Doug Richard described an organisational condition based on high levels of trust resulting in a way of working that is "uncommonly efficient, where the business hums". This notion of an exponential increase in the benefits of trust can be represented graphically as the following:

Figure 11: Exponential trust



In this case trust increases with noticeable benefits until point C, where some condition associated with the amount of trust causes an exponential increase in the benefits derived.

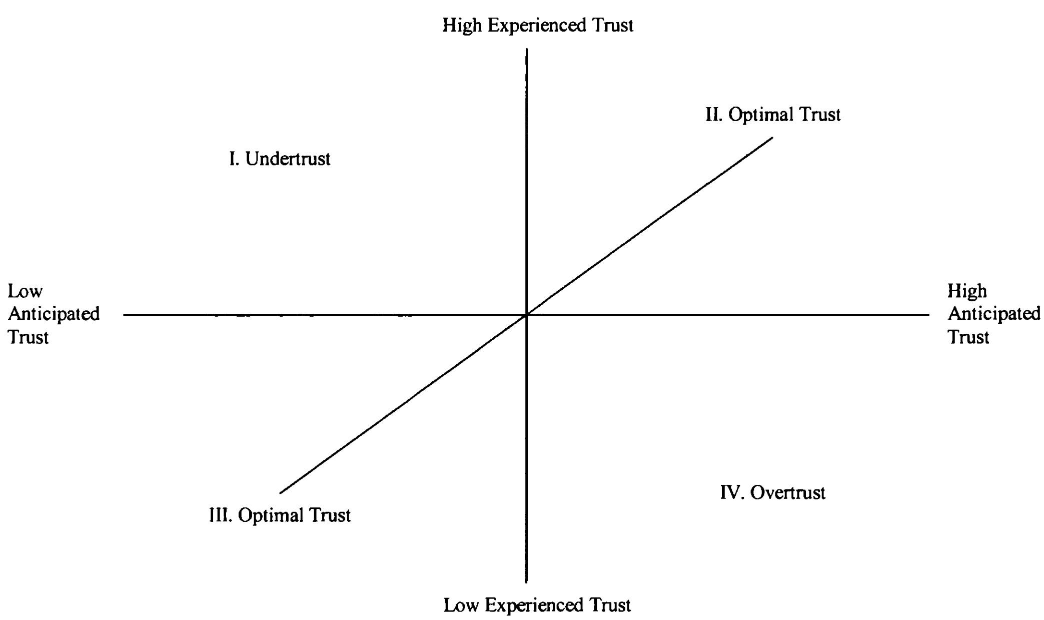
These graphic representations of the executives' operational conceptualisations of trust in organisations expand the understanding of trust dynamics. There seems to be evidence that there are multiple ways for trust to grow and diminish in organisations, and the corresponding benefits are numerous. The conceptualisations based on the executives' experiences, although not being held out to be necessarily correct, introduce a range of potential trust dynamics that contribute to the literature.

A Proposed Model for Achieving Optimal Trust

This proposed model for achieving optimal trust consolidates much of the information from the literature and executive reports, and incorporates concepts that are consistent with the literature, incompatible with the literature, and novel conceptualisations that appear throughout this thesis. The intention is to respond to the executive reports that a model should represent the real-life operational process of a transaction with actions that have been purported to build and diminish trust. The added requirement of taking actions to achieve an optimal trust path in transactions is the result of the author's desire to present a model that may be useful for executive decision-making. A focus is placed on the model's appropriateness for implementation in an organisation in the hope that the comprehensive inclusion of key concepts and practical utility will make it valuable for transacting agents.

Key assumptions in this proposed model are 1) trust is a two or multi-sided process (there is more than one agent); 2) agents enter a new transaction at a suboptimal level of anticipated trust; 3) there is an optimal level of trust that can be achieved; and 4) trust is a process that can be manipulated in degree by actions taken by transacting parties.

Remember the four quadrants of the trust grid presented earlier:



Every action taken in a transaction can be represented in one of the quadrants of this grid. For example, a company is being acquired in an all-stock transaction. The two parties (the seller and the acquirer) are in the late stages leading to closing when the acquirer stipulates that one-third of the stock must be held for an extra year based on some desired outcome that is still in question. The seller, who has exhibited trustworthy behaviour throughout the acquisition process and has perceived the acquirer as trustworthy based on actions, is offended by the request. In this case, from the perspective of the seller, the acquirer is undertrusting and the action would fall into Quadrant I. Some condition may have led the acquirer to feel that he was overtrusting at some point (Quadrant IV), and he needed to balance the trust level by placing a safeguard in the transaction terms. In this case, the acquirer would be trying to achieve a level of optimal trust in the transaction, but from the perspective of the seller, he has just committed an action of undertrusting. Here, from the seller's perspective, there is not a consistency between the anticipated level of trust and the actions taken for the seller (experienced trust), but there is for the acquirer. In short, the transactors are not in sync. The goal then between transacting parties is to move the actions from Quadrants I and IV and toward the optimal trust path that runs through Quadrants II and III. The model proposed is intended to provide a construct within which transactors will achieve this movement toward the optimal trust path.

STEP ONE: *Negotiation of terms of the relationship*

Before a transaction is carried out, transacting parties will develop a perception of one another. This perception will lead them through a negotiation of terms upon which a transaction may or may not take place. Assuming the parties still desire to move forward with the transaction, they will move to Step Two.

STEP TWO: *Enter a new transaction (at a suboptimal level) with defined transaction variables.*

It is assumed at this stage that the transaction is at a suboptimal level because the parties have no experiences transacting together. There may be asymmetry in the relationship, where one party is heavily safeguarding and the other is heavily vulnerable. It is considered suboptimal because the terms that were negotiated result in undertrusting and overtusting. To have reached this step, the parties must have agreed that the economic benefit or some other condition outweighs the suboptimal nature of the interaction. This is where the seeding of vulnerability needs to be met with some benevolence and reciprocity on the part of the less vulnerable party.

STEP THREE: *Communicate and observe behaviours and actions of one another as the transaction is carried out.*

At this step the transacting parties are starting to augment their perceptions with the reality or actual experiences associated with the transaction. This is where the parties can start to steer the undertrusting and overtrusting conditions of the transaction toward the optimal trust path.

STEP FOUR: *Based on observations, take actions that adjust the conditions or terms of the relationship by increasing trust (accepting vulnerability) or implementing additional safeguards.*

In this step, if the transacting parties are completely out of sync, the transaction can break down. If one party believes that there should be some relief from certain safeguards while the other party is demanding additional safeguards, the transaction is in a volatile state. It may be the best decision to not transact at all. If, on the other hand, the need for relief from safeguards is met by the actions that more optimally match vulnerabilities, then the transactors are moving toward an optimal path.

STEP FIVE: *Work toward a relationship where there is balance between anticipated trust and the actions leading toward an actual optimal outcome.*

When transacting parties have reached this step, they are on the same page in terms of anticipation of trustworthiness and their goal is to take actions that are consistent with this shared anticipation. It can be said at this stage that the transacting parties are acting like a joint enterprise with a mutual understanding of one another and the goals of the transaction.

STEP SIX: *When both parties no longer have to take any additional actions to balance between anticipated trust and the actions necessary to reach an actual optimal outcome, optimal trust in the transaction has been achieved.*

This step is where the transacting parties are enjoying the benefits of an optimal trust transaction. Put simply, actions taken are consistent with shared anticipation (they are doing what they said they would do).

Incorporating additional findings from the executive reports adds value to the implementation of the model. It is critical to communicate openly and often throughout the entire process – from STEP ONE through STEP SIX. Employing the strategies outlined in previous chapters may provide early insight into trust perceptions that could provide guidance for building a strong, long lasting relationship. Recall the metaphor categories, corresponding trust perceptions and responses.

Metaphor Category	**Perception of trust**	**Trust building response**
Science	Dynamic, evolving part of the organisation	Recognise that the trust relationship will change over time and you must be flexible and prepared to adapt to the changing

		needs of the customer
Engineering/System/Spatial	Measurable, quantifiable	Build in precise performance measures (even down to the task level) to provide constant reinforcement that everything is on schedule and there are no surprises
Religious	Personal, emotional bond	Nurture the relationship; provide an abundance of communication and reinforce the security of both the business and personal relationship
Financial	Company asset	Measure the return on investment (ROI) provided by your involvement - increased ROI means greater trust
War/Violence	Trust can harm and protect	Monitor the relationship carefully in the early stages to see if you are

		dealing with a trustworthy individual or an opportunist

Listening for the unique way that trust is conceptualised through metaphor may allow for a response that steers the transaction toward an optimal path with increased efficiency. Furthermore, continuing to listen for metaphor clues may prevent steering off the optimal trust path or accelerate returning to the path after a problem is encountered.

When carrying out *STEP TWO: Enter a new transaction (at a suboptimal level) with defined transaction variables*, it is important to incorporate the trust initiator described by the executives as initially accepting a vulnerable position (as vulnerable as is prudent) – seed some vulnerability to see if you get it back – initially build trust by trusting other people. During *STEP THREE: Communicate and observe behaviours and actions of one another as the transaction is carried out* and *STEP FOUR: Based on observations, take actions that adjust the conditions or terms of the relationship by increasing trust (accepting vulnerability) or implementing additional safeguards*, it is the time to take the actions described by the executives that are appropriate for the situation, such as:

- Acting in a way where there is consonance between the response and the trust reposed

- Acting consistently
- Immediately punishing acts of betrayal
- Communicating clearly and honestly
- Providing strong support, particularly to the more vulnerable party
- Being transparent in actions
- Meeting expectations with reality
- Maintaining close working relationships

This is certainly not intended to be a comprehensive list, and any list would have to be appropriate for the context of the transaction and include safeguarding actions such as additional oversight. However, these actions were described by the executives as increasing trust and may be useful in steering the transactors toward an optimal trust path.

The benefits of reaching an optimal trust path could include many of the economic benefits reported by executives in Chapter 8 of this thesis, where transactions are defined in the most general sense as two or more parties engaging in an exchange. Those benefits include:

Contracting and Negotiation - Invest in trust early and you can do a number of transactions on, as Doug Richard calls it, your "trust account". Reduces legal fees. Fewer resources are expended and over a shorter time. Doing deals faster may be a competitive advantage in the marketplace.

Flattening the organisation - Trust allows for fewer people to be responsible for more – it reduces the need for multiple layers of expensive management oversight. Allows for greater profitability.

Hiring Practices - Hiring on the recommendation of trusted individuals reduces the number of activities necessary to hire and may result in better candidates. Paying large fees for services such as head-hunters is avoided.

Rapid adaptation to change - When trust is pervasive throughout the organisation, people have greater autonomy in decision-making and can respond faster to changes in the market. Responding to changing market requirements faster than the competition is seen as a great advantage.

Retention - Employees and customers tend to stay with the company longer when there is trust. Costs associated with severance, hiring, training and selling are reduced when turnover is low.

Greater financial stability - It was suggested that the more the company is trusted by investors, the more likely they are to hold their stock during rough periods. Share price stability during difficult times is of great economic value to the organisation.

Summary

After reviewing the dynamics of trust in the organisation as described by the executive reports, and representing those descriptions graphically, a model for achieving optimal trust for transacting parties was proposed. The Optimal Trust Model builds on the reports of each of the executives and on the literature contributions of several scholars such as Wicks et al. (1999). After reframing optimal trust within a four quadrant grid to graphically express anticipated trust and experienced trust, a six step process was proposed. If followed, the six step process is purported to enable transacting parties to reach an optimal trust path while conducting a transaction. Put succinctly, the steps are: 1) negotiation of terms; 2) entering the transaction with defined transaction variables; 3) communicating and observing behaviours and actions; 4) taking actions that adjust the negotiated terms based on observations; 5) working for balance between anticipated trust and experienced trust that lead toward an actual optimal outcome; and 6) reaching an actual optimal outcome with no additional actions necessary to balance between perceived trust and actual trust. Understanding the types of metaphors used to communicate perceptions of trust and the corresponding responses were incorporated into the model with the expectation that they could help provide greater efficiencies in reaching the optimal trust path. Examples of specific actions reported by executives to initiate and steer trust were placed into their respective steps with the understanding that a more comprehensive and context-specific list could be developed for any specific transaction. The economic benefits described by the executives based on their experiences in their organisations were described with the qualification that these were only a few of the possible outcomes that might be realised as a result if implementing the process.

CHAPTER 11: Study Contributions and Conclusion

This study was conducted to contribute to the organisational trust literature by investigating how senior executives conceptualise and report the relevance of trust to their organisations, and comparing the executive reports to the existing literature to find consistencies, inconsistencies, and novel conceptualisations. In particular, this study introduced conceptualisations of trust in organisations as reported by CEOs and senior executives, a group that has yet to be sufficiently represented in the trust literature. It was determined at the start that in-depth interviews with a few elite executives would result in richer content than conducting a survey or short-form interview of many executives. Thirteen senior executives were interviewed from companies in the UK and US. Reports from the interviews were analysed against the existing theoretical and empirical trust literature to explore consistencies, inconsistencies and novel conceptualisations.

Contributions of this Study and Implications for Further Research

This study found instances of homogeneity between the executive reports and the trust literature, extensions of concepts in the trust literature, and introduced some novel conceptualisations of trust in organisations that are worthy of further study. The definitions of trust cited in the literature are critical – the chosen definition for any study provides the contextual foundation for the researcher.

Chapter 5 was dedicated to defining trust and provided a proposed typology that allowed for the dissection of several of the most widely cited definitions of trust appearing in the literature. By analysing the meanings underlying the lexicons, potentially important implications emerged. The executive reports demonstrated homogeneity with those definitions that were inclusive of *both* genuine and surrogate trust characteristics, and departed from those definitions that relied too exclusively on genuine characteristics (such as lack of control, goodwill, benevolence, loyalty, shared values and beliefs, leaps of faith, suspension of opportunism risks, no absolute prediction) or surrogate characteristics (such as contracts, controlling factors, responding to opportunism risks, risk assessment calculations, penalties, oversight). As the most cited definitions in the literature incorporate characteristics of both genuine and surrogate trust, including Dyer and Chu (2003), Sabel (1993), Ring and Van de Van (1992), Barney and Hansen (1994), and Zaheer et al. (1998), these executive reports further support this hybrid approach to defining trust. Specifically, these executive reports provide support for definitions that allow for the following characteristics: recognition of vulnerability to opportunism; willingness to assume risk; and a blending of trust substitutes that *enhance* rather than detract from trust. The recognition of vulnerability to opportunism appeared as a key characteristic in the executives' attempts to define trust. This refers to the acknowledgement by both parties that there may be instances during the transaction where one party is more vulnerable to the actions of the other. For a transaction to take place, apart from *acknowledgement* of vulnerability, there must be a *willingness* to assume risk where absolute control over opportunistic behaviour is not possible. The ideal situation exists when there is an absence of opportunistic behaviour by the trustee so that the trustor may assume a vulnerable position with the expectation that he will not be taken advantage of. In business transactions, however, it may not be appropriate or responsible to make such assumptions. The executives supported the concept of utilising trust substitutes in exchange relationships, where the reasonable use of these substitutes provides a safeguard against the possibility of opportunistic behaviour *without* damaging the evolving trust relationship. Used in appropriate measure, the senior executives report that trust substitutes can help build the foundation for maturing trust.

The executives supported the assertion from the literature that trust is a *dynamic* process that increases and decreases over time based on the actions taken by transactors (Powell 1996; Anderson and Narus 1990; Granovetter 1985; Gulati 1995; Uzzi 1996; Axelrod 1984; Browning et al. 1995). Of most relevance to the executives is the further identification and study of *specific actions and their consequences* on the trust relationship (Whitener et al. 1998).

It is suggested that the possible existence of a trust paradox is worthy of further study. This extends Lewicki and Bunker's (1996) assertion that there are limits to the value of building trust. The paradox lies in the notion that a willingness to trust too much may actually result in diminished trust. If there is too much shared vulnerability, the gap is so large that trust can't fill it. Concern over the amount of risk itself may be sufficient to cause a loss of trust. The proposed trust paradox places a cap on the value of trust. This would be contrary to the belief that the more trust there is in a relationship, the stronger the relationship becomes and the more economic value can be gleaned for transacting parties.

MacSwiney's experience that too many controls placed on his business had negative consequences for building trust supports Chan's (2003) finding that controlling actions needed to build trust may actually decrease trust.

Baring supported the findings of Weber et al. (2005) when he attempted to replace his anxiety associated with dependence on a single person by inserting a trusted individual into the questionable environment. Richard's experience that building trust takes more time and is more difficult than losing trust supports the same claim made by Lewicki and Bunker (1996; 2006).

Rigby and MacSwiney reinforced the findings of Chan (2003) when they reported that withholding punishment for transgressions can actually build trust. This was contrary to Richard's assertion that one of the ways to build trust is to punish transgressors immediately. Further research into administering punishment and withholding punishment, and its effects on trust in the organisation may provide clarification to this contradiction.

Rigby claims that trust takes precise coordination of partners is consistent with Ferrin et al.'s (2008) concept of interconnected spiralling relationships, and both Rigby and MacSwiney agree with the findings of Berger (1991) where trust is built through clear, honest and accurate communication.

An exploration of the concept of optimal trust yielded the reconsideration of a concept that has appeared in the literature for five decades (Horsburgh 1961; Wicks et al. 1999; Parkhe and Miller 2000; Davies and Rundall 2000; Jeffries and Reed 2000; Adler 2001; Malhotra and Murnighan 2003; Adobor 2006; Gargiulo and Ertug 2006). A review of responses from the executive interviews revealed evidence of optimal trust constructs in concept being practiced throughout many of their organisations. It was important to find evidence of these constructs in the responses to lend some validity to the conceptualisation of optimal trust to ensure this wasn't an isolated notion. Integrating the work of the cited authors and the executive reports in this study yielded a model of optimal trust as a path laid out against a grid of high/low anticipated trust and high/low experienced trust. This allows for optimal trust to travel across the spectrum from optimal low trust interactions to optimal high trust interactions, recognising that not all optimal trust transactions must have a high level of trust for them to be valuable. The key distinction from other optimal trust models (Wicks et al. 1999; Adobor 2006) is the matching of anticipated trust between transactors and experienced trust between transactors, and the introduction of an optimal trust path.

A new area if inquiry opens up when one considers the existence of an optimal amount of trust for every transaction. It could lead to the development of a process for charting an optimal trust path for transactions, as well as what criteria might steer the relationship on and off course. Defining the costs of under-trusting and over-trusting could lead to informed decisions on how much trust to invest in the relationship, and whether or not there will be a reasonable return on investing in trust. Adopting a model such as the one proposed in this thesis could change the types of decisions that are made by businesses, and impact the risk/reward strategies employed. Further research needs to be conducted to validate the proposed optimal trust model and the potential benefits that could come from its implementation.

This thesis also contributes to the literature on the economic value of trust in the organisation. Every executive in this study reported at least one economic impact of trust on their organisation. There were reports that trust is capital, another asset for the organisation to invest for desirable outcomes. It was described as a matter of coin, and that accounts of trust are built up and diminished based on actions taken. According to these executives, trust can be saved or spent depending on the requirements of the transaction or situation. It is used when the investment can provide a meaningful return to the company. For these senior executives, trust is another capital asset that is used when necessary to grow the business. Consistent with the widely cited literature, transactions carried out in their organisations have elements of trust and safeguards. Trust can result in fewer costly safeguards and the costs of the transaction are therefore reduced (Cummings and Bromiley 1996; Handy 1993 for example). There was acknowledgement by the executives that trust plays an important role in the organisation and that it generally reduces costs when present and increases costs when absent, which is consistent with studies conducted by Dyer (1997), Barney and Hansen (1996), and Zaheer et al. (1998) among others. Among the executives' reported economic benefits of trust (and consistent with the literature) are reduced contract and negotiating costs (Dyer and Chu 2003), reduced hiring costs (Uzzi 1996), greater employee retention (Dirks and Ferrin 2001), a flatter organisation with fewer levels of costly management (Robsen 2008), rapid adaptation to changing market conditions (competitive advantage), and greater financial stability (particularly during difficult economic times).

It is clear from the experience of these senior executives that trust, for them, doesn't operate in isolation – it is interconnected and permeates throughout the entire enterprise. Gaining or losing trust with one constituency may impact another constituency, such as a manager losing trust with an employee that has an effect on productivity, influencing the employee's performance with a customer that in turn trusts the employee less based on poor performance. This interconnection of trust potentially extends to internal and external stakeholders. Janowicz-Panjaitan and Krishnan (2009) suggest a trickle-down effect where the poor handling of a trust violation at a senior level can negatively impact trust at lower levels of the organisation. However, the findings from the executive reports on the economic value of trust suggest that further research should be conducted into the *full breadth* of interconnections and impacts that trust has on the organisation, to include not only senior executives and employees, but shareholders, customers, suppliers and others associated with the company internally and externally.

The introduction of *opportunity costs* has the potential to further expand our understanding of the impact of trust on the economic health of the enterprise. In my review of the literature, I did not find a study that took into account lost opportunity costs when assessing the economic impact of trust in organisations. To illustrate this concept, consider the costs of turnover in a sales organisation where the turnover can be attributed to a loss of trust. There are the traditional costs associated with turnover such as severance packages, search firms, and training new salespeople. But what about the costs associated with the customers that aren't being called upon because of the search and training activities being carried out by sales employees and executives? The hours spent addressing turnover are hours *not* spent devoted to generating new sales. The lost opportunities in this case are the revenue generating customers that were not acquired because the revenue generating employees were spending time hiring replacements for the departed employees. Further research on lost opportunity costs could add to our understanding of the full economic impact of trust on the organisation.

The executives made extensive use of metaphors to convey their conceptualisations of trust in organisations that otherwise might not have been understood or easily comprehended. Given the potential significance associated with metaphor usage (Su 2002), the metaphors that appeared in the executive interviews were presented and analysed with the intention of possibly providing a novel approach to understanding how the executives think about trust in their organisations. Intentions associated with the use of specific metaphor categories were proposed based on the content of the metaphor. This study went beyond an examination of metaphor structure by placing the metaphors in categories with particular characteristics. It was proposed that their use of specific metaphors represent attempts by the executives to position trust within the more precise and predictable domain of engineering and finance, and the more emotional domain associated with religion, life and evolution, war and violence. It is suggested that these are complimentary domains and are necessary to represent the full breadth of the trust conceptualisations conveyed by the executives. Further analysis was conducted that placed the metaphors in contradictory categories that described trust as measurable and non-measurable, predictable and unpredictable, increasing and decreasing in a step manner, swinging like a pendulum, operating along a continuum and falling into certain qualitative levels, layers and stages. The concept of temporal tension (Bird 1998) was introduced to explain how contradiction is sometimes necessary to accurately convey the full breadth of conceptual complexities. It was proposed that, if a listener can determine how the speaker perceives trust through the use of metaphors, the listener may be able to build trust by giving an appropriate response. Further research into this area might involve empirical studies within the work environment to see if the executives' use of metaphors is shared by employees, and how these metaphorical representations might be similar or different. This could have a variety of implications for areas such as effective communication, work productivity, negotiation, change management and conflict resolution.

The optimal trust path presented in Chapter 7 was used as the foundation for developing a proposed model for achieving optimal trust. The model integrates the key findings from executive interviews and the literature. It provides the steps for steering a transaction away from undertrusting and overtrusting, and toward an optimal trust path. The steps of the model are:

STEP ONE:	Negotiation of terms of the relationship
STEP TWO:	Enter a new transaction with defined transaction variables
STEP THREE:	Communicate and observe behaviours and actions
STEP FOUR:	Take actions that adjust the conditions or terms of the relationship
STEP FIVE:	Work for balance of anticipated and experienced trust
STEP SIX:	Achieve a balance of anticipated and experienced trust

The executive reports provided the actions that help guide transacting parties toward an optimal path, such as being transparent, acting consistently, communicating clearly and honestly, immediately punishing acts of betrayal, and meeting expectations with reality. The executive reports also provided the economic benefits of trust. The outcomes of an optimal trust transaction might include reduced costs associated with contracting and hiring, a flatter organisation, and rapid adaptation to changing market conditions among others. In reviewing the full breadth of work conducted in the exploration of operational conceptualisations of trust in organisations, there appears to be a need for a comprehensive model that can be applied in companies for decision-making and corporate governance. In this proposed model I have defined the broad steps, specific tasks and expected outcomes, all of which may hold promise for making more optimal transacting partners. By adding to the list of actions that build and diminish trust (as suggested by the executive reports), and expanding on the study of the impacts of trust in the work environment (to include such considerations as lost opportunity costs), this could be a "living" model that adapts to the changing conditions and needs of the multiple constituencies present in organisational ecosystems.

Concluding Remarks

I have gone to great lengths to insure that I was not presenting the senior executive reports as somehow more "right" than other assertions made in the literature. At no time should it be inferred that I am agreeing with the executives rather than reporting their experiences.

This study begins to fill a gap in the trust literature created by the scarcity of research exploring senior executive conceptualisations of trust in the organisation. My motivation was to understand the perspective of those responsible for the governance and strategic decision-making of the organisation as it related to trust. The idea for this thesis emerged after a comprehensive review of the literature, and the genuine concern that organisational trust research as a scholarly discipline had not yet explored the rich perspective of corporate leadership. As a long-time consultant and business owner, I have always had a curiosity regarding trust in the organisation. This general area of inquiry led me to explore the relevant literature while serving as CEO of a software company. My objective in undertaking this PhD was to understand how trust manifests itself in transactions, and how the organisation might benefit from building trust with every interaction.

The executives interviewed for this study are successful business leaders responsible for managing a variety of relationships in the work environment. That is not to say that their opinions are representative of all executives. This study provided an in-depth analysis of their particular conceptualisations of trust. Placed in proper context, their experiences are their own, and yet they provide rare and important insights into the executives' trust experiences and conceptualisations. What became immediately clear was that they had thought deeply about trust as a normal part of their duties, and they could communicate their thoughts on the subject without reference to any situation other than their immediate working environment. What was important to me as a researcher (understanding their definitions of trust, for example), was not necessarily relevant to them. For these executives, application is paramount. As such, they each expressed a desire to understand the specific trust-building actions they could perform and the consequences of those actions. They want to know how to put a monetary figure on their actions, how to measure performance and progress, and how they can develop an implementable model that creates a business case for investing in trust. These are fertile areas for further research.

This thesis has explored important areas of inquiry reported directly by those with significant influence over the strategic decisions made in companies that drive economies. The conclusions drawn from this study provide additional considerations for researchers as they explore the dynamics of trust in organisations.

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APPENDIX

Semi-structured Interview Questionnaire

1. How do you define trust in relation to your organisation?

2. Is trust important to your organisation? If so, in what ways? If not, why?

3. How do you build trust in your organisation?

4. How do others build trust with you?

5. How is trust diminished in your organisation?

6. How do you use trust for advantage in your organisation (what are the rewards)?

7. How has trust resulted in disadvantages for your organisation (what are the punishments)?

8. Has trust played a role in building the company? If so, how? If not, why?

9. Will it play a role in the future operation of the company? If so, how? If not, why?

10. Do you measure trust? If so, how?

11. Do you actively seek high trust relationships? If so, what are the criteria?

12. Is there an economic value of trust? If so, what is it and how is it demonstrated? If not, why?

Metaphors Used by Executives

Science Metaphors	**Entropy metaphor** I would take the view that in the absence of the creation of trust, there is no neutral—trust is a dynamic – it is moving all the time. If you're not creating, encouraging and developing trust in your relationships, it falls into distrust. It's like entropy – that of its own, in the absence of knowledge, in the absence of information, in the absence of clarity, in the absence of goals people can reach, in the absence of achievements they can be rewarded for, in the absence of structures, cultural structures, that reward the people that everyone knows are doing a good job, and punish the people that are not, that there is a sense of fairness and equity in the world, people will inevitably distrust. **Biology metaphor: trust is the core – everything else just symptoms** You must understand how much it has coloured my thinking in my whole life. The first time I have had an opportunity, since Micrografx, to start a new company from zero - from ground up – perfectly blank slate - I made a conscious decision that I was always going to act in a way that increased the trust of those other people I work with. That every single, definable significant activity was going to be one that increased trust. You have no idea how much you resonated with me that day when you said trust. I think about it all the time because I think that companies will succeed on almost nothing but trust... because at the end of the day, companies are a big bunch of people all piled in a bunch of rooms doing stuff. People talk about companies being learning companies and inspiring and having creativity and being full of energy and going somewhere...bull. All of those things are the visible symptoms of something else inside that organisation, and I believe it's because you have a group of people who are choosing to trust all the other participants in the business... at least enough so that it's a positive, and that there are reinforcing mechanisms for it to grow on a near endless basis. And that is only done by somebody leading the way. Somebody has to start. So when I started Library House... it was the first business I started... just this teeny little business, but it's a perfect

	condition for experimentation. I was obsessed coming out of Micrografx with starting a company that shared none of its attributes... I wanted nothing like that. And I didn't really give a shit whether that was the optimal way to grow a company. I only hold the belief I'm telling you now after running Library House for two years, because when I started Library House I thought it might be neat to have a little fun. To be honest, I started Library House because I really wanted to run a think tank that would be influential on policy in governments, and social issues, and I wasn't rich enough to fund a nonprofit, and nobody would hire me to run one because I have zero qualifications for it. So I figured I would build my own bully pulpit. It sounded like a really cool idea. So I was trying to invent a little business that could do research that could then put the organisation in a position to espouse a view, an analytical view, a think tank view on societal and policy issues that relate to my area of interest. But I was starting a for-profit business... how do I make a profit? Because it needed to fund itself to grow. So I started it for whimsical reasons, if you think about it. But when I started it I thought I'm not ever, ever, ever going to have anything like Micrografx ever again... nothing like that. I cannot have a fundamental culture of distrust, where everybody distrusts everybody, where people are always hiding, where every bad behaviour comes back to the fact that "I couldn't tell Doug that"... **Biology metaphor (cancer)** Hire slow, fire fast. I deeply believe that if somebody is untrustworthy, they should be removed from the business full stop. They should be excised and taken out of the business because they will simple corrupt the business comprehensively, but that is not how the world works. You may know they are untrustworthy because you are careful and understanding of what constitutes a trust act and a non-trust act, but you may not be empowered simply because they may not have acted in the way that permits you to fire them. **Biology metaphor (permeable membrane)** It is a permeable membrane – the edge of a business. "Permeable membrane" in science, is the edge of the cell wall – things pass through it. So impermeable membrane means it is a full stop – you can't get through it. The edge of a business is very, very permeable. Many people

	within a business touch many people outside that business, and therefore, what a business is is simply not comprised, its brand, how it's viewed, as an entity is the sum of all of those engagements to the outside world. However much we might want to control it otherwise, we don't, and we fool ourselves heroically if we think that we control the brand image of a business merely by saying "here we are, here's our advertising, here's our collateral, here's our marketing, here's our whatever" because the fact of the matter is a business's relationship to the outside world touches at a thousand points because very, very few people in the business only touch other people inside the business. There are many, many, many, many different people they touch. There are lots and lots of stakeholders, and in the most subtle ways businesses can be viewed negatively and viewed as an untrustworthy business. So, yes, if somebody is a corrupting influence, that corruption will spread, and what reminded me how somebody recently came into the business who wasn't acting in a trusting fashion didn't come in a neutral point, at the very least, how quickly it caused – internally within the business and externally in certain parts, and had I not intervened quickly, that would have created a different business very quickly and that would have been a corruption that would have spread very quickly throughout the whole business. Businesses do not have tight edges. So, if there is a person in some organisation or there is a division inside that operates with other divisions, however granularly you care to ask the question, even on the level of the individual people, which is where it ultimately happens -- as soon as somebody acts in a way that is untrustworthy, it will simply spread throughout that portion of the business and it will spread to lots and lots of points outside the business, and those points outside the business will then, whether they do it expressly or provertly (sic), or implicitly, will act towards that business and towards others who act towards that business so that business will have its brand, what it is, the world's view of it will shift. **Natural and physical science metaphor** It's like the difference between natural and physical sciences. When you observe pure science and natural science and you are observing the behaviour of cellular organisms or anything, but you may not be in a position initially in complex systems to be able to measure

	precisely what's going on, but you can observe them and therefore see themes and trends and examples and emergent behaviours. That's just as scientific...that observational analysis is just as useful in the biological sciences as the measuring of speed of particles is in the physical sciences so too in trust just because it's a phenomenon that you are actively observing doesn't mean that it has to be quantified – oh he's got one unit, he has two – you don't have to count but you do have to observe, analyse, and understand. **Liquid fast metaphor** If you go to the Applebee Horse Fair - the Applebee Horse Fair which is a horse fair in the north of England where typically Irish tinkers, but some other people come together for one weekend and they buy and sell horses. This is a very disparate group of people who come from all over England, Wales, Scotland, and Ireland and although the communities do know each other, nonetheless it's a real caveat emptor culture. What you see is what you buy. If it turns out bad, that's your problem. The culture is quite clear. The degree of trust is very low - deliberately very low. That is what makes this a liquid fast efficient market work. You don't have to have much trust. You see what one party's got. You know what it is. You buy it. **Biology metaphor** Trust permeates a contract in the sense that every detail, every single living breathing detail of default and a remedy is spelled out or it can be a more general level of trust. **Litmus test metaphor** I think trust is simply - the absence of trust or presence of trust is sort of litmus issue isn't it? You engage with one party and you say you trust the other party"? And they say yes or nothing. If they say no, then the trust is gone. **Gardening metaphor** You have to seed some vulnerabilities or some opportunities to see whether you can get some trust feedback. **Fragile metaphor (crystallise)** You sometimes see a case - you can present something which is absolutely the opposite of what may be right just

	to crystallise the mind that the other thing is right. If there is a suspicion within a business that will be held against you, mishandled, that is a type of trust which is being broken. This is talking about a trust in a procedure not a trust in terms of whether somebody has nicked the petty cash or not. **Biology metaphor (business as a living thing that dishonesty kills)** Quite commonly dishonesty of that nature is covered up because it seemed to be so damaging if customers and suppliers know about it. If you want to cover it up, it's the end of a business. It will die within five or ten or fifteen years because you have a dishonesty that has been caught, and it has not been rewarded, but it has not being punished. **Biology metaphor (dishonesty is degenerative disease)** Although that conflicts with my view that dishonesty is a degenerative disease once you've committed the first. **Biology metaphor (cheating is degenerative)** Tax advice is very difficult - the difference between avoidance and evasion. Evasion is dishonest; avoidance some would say is dishonest, but it is organising your affairs in complete disclosure but beating the Chancellor at the game. What we have always said to such people is, that evasion mark, forget even the morality of it for it's not for me to tell another person the morality of it, but it is also stupid because you get into that field and you are so busy fiddling around with that for a few pence that you miss the avoidance which may be several millions. The avoidance is legal, honest, disclosed. Some would say it's not moral but then that depends upon your view of how or why tax should be paid. But at least it's clear. You do see that the people who cheat on the little things, their aim is the game and cheating is degenerative because it gets bigger and bigger. **Weather metaphor** The long term growth is likely to be better than expected in the industry it's in. The risk is slightly less than would be the norm for the industry it's in because they may find if you are a trustworthy, decent organisation, you can weather a storm much better.

	Biology metaphor (disease) We don't accept that dishonesty is degenerative, is a disease. **Biology metaphor (permeation)** You are assuming that a common pattern of behaviour would permeate right through the organisation, and young Leeson came from a different background, and didn't really owe any allegiance to that tradition. **Biology metaphor (breeding)** Here's the challenge – you want to be honest. Honesty breeds trust more than anything. The challenge is, it's hard to be honest with unpredictable facts.
Engineering, System and Spatial Metaphors	**Process metaphor (step function)** (Trust) is a step function... not a smooth process. When I say it's a process, it doesn't necessarily mean it's a continuous flow process. **Object metaphor (trust is handed-off)** It's not whether you are to be trusted. It's whether they choose to be trusting that we are talking about. Trust has nothing to do with the recipient - it only has to do with the presenter - the person who hands off trust. To my mind the words you are trusted aren't real – that doesn't describe it – it is a misstatement. The statement is "I trust you", not "you are trusted". It has nothing to do with you... it has to do with me. It has to do with me trusting you. Therefore, trust is a frame of mind. Trust is an active thing I am projecting toward you. And in order to get them there, you have a process of getting them trusting. **Engineering metaphor (forcing function for step phase change)** The trust is the same. Whether you abuse that trust or not doesn't change the character of the trust. It changes the consequences of the trust. There is just trust - either I trust you or I don't. And it's either I'm trusting you more overtime or less overtime, and I would assert that it is a step function. Meaning that it kind of cruises along at a certain level once it's been established at that level until activities make it change... either it steps up or it steps

	down. You could think of it in engineering terms. There must be a forcing function for step phase change...there has to be some function, some activity, that forces a step up or a step down. **Engineering metaphor (trust is a tool)** The most effective management tool I can imagine is being very effective at the forcing functions that cause people to increase the amount they trust you. And I can imagine no other thing that is more powerful -- in achieving... either management in a corporation or to getting a cult... or to getting a girl to love you, or anything. **Spatial metaphor: (must be from Mars for hiring someone solely based on trust)** All of a sudden, I was from Mars, because he literally could not imagine... and quite frankly, most people couldn't imagine ever contemplating hiring somebody without reading a résumé. But I hadn't gotten around to it. There was the pressure of time... this conversation had to happen... I had agreed to have the conversation... and Mark is somebody I trust, and he told me that he trusted this guy implicitly... and I trust Mark implicitly. So I hadn't really thought it through very well. Usually I would have read the résumé so I could have a more intelligent conversation, but it hadn't crossed my mind. He said, "I can't believe you're hiring me and you haven't read my résumé". I said "I'll tell you what... I promise to read your résumé, but can we just get you hired now so we can get off the phone?" **Space metaphor (edge of the universe)** I'll tell you what, I'll make a deal with you. You describe to me precisely the edge of the universe, and I'll tell you how to measure trust. **Engineering metaphor (complex systems)** How do you measure trust? I'll tell you what you can do - you can note whether it is going up or down over a period of time as between both individuals and generally within the context of the Corporation, and you do it through the proxies of people's behaviours. There's a certain type of behaviour... I think of it as an emergent property of a company where people trust one another. I happen to be into emergent properties these days, complex systems. I believe that what bubbles out of a trusting company is a

	series of ways of working, where things are uncommonly efficient, where the business hums, where people just go and get done what needs to get done, where they've worked out all those trivialisations that we hear about endlessly. I read endlessly about how these companies will spend millions and millions of dollars building these facilities where they have creative spaces, networking spaces and open plans to encourage dialogue and to embolden creativity-- we're talking about desks and chairs and walls. Talk about procrastination, talk about diverting yourself from the real issues. If a bunch of people trust each other, I've got news for you... you can kind of put them into any old space... space is fucking irrelevant. How many gazillions of dollars have been spent in the world doing things like facilities to create a better business - you have got to be kidding me. **Adhesive bond metaphor (trust is core bond)** (Trust) is the core bond between all individuals in the organisation as they relate to each other within their culture of the organisation. **Engineering (mechanical) metaphor** Therefore, it is a core element of profitability. It's a core element of pace of growth. Trust becomes the underlying mechanism by which companies are either fast growth or not. **Flexor metaphor (tension causes cracks and fractures)** All businesses go through moments of tension, and if it does, businesses win and lose battles. Businesses go through points of stress due to capital, or competitors, or anything. They're external, they do not operate in vacuums. The growth of a business is not inevitable; in fact there is nothing inevitable about it. It is a force of will upon the world, and therefore, you are in combat with others, you are in tension with the world, and those tensions translate into the business, and the business has to have the integral strength to be able to handle those body blows as they happen. If you don't have strong bonds of trust within the organisation, then the organisation becomes brittle. It doesn't absorb and then cracks or fractures. **Flexor metaphor (no flex in the company)**

	One can grow a company that is quite Stalinist. One can grow a company where everything is measured and people are incredibly repressed, and those can also be successful companies, but I think that in fact those companies also suffer from an underbelly of weakness in that they don't flex at all. Therefore, so long as the market conditions that permit that machine that's been built to be very efficient, then that's a mechanism. **Flexor metaphor (stress on the company causes fracture)** I've seen this in sales cultures that are brutal. I've seen companies where everybody is measured all the time in a million different ways, and considerable company resources are put into it, and those companies were efficient, but I've also seen that as soon as the unexpected comes along, those companies rarely, especially ones that grow in scale, and this is especially the issue, once you are beyond the visible horizon, once you are a CEO and you no longer can talk to everyone, in fact you are talking to people who talk to people who talk to people who talk to people, and therefore everything is beyond the visible, companies that are built in the mode where everything is measured and everything is accounted for, and there is essentially no trust...trust is not put into the equation in the first place, it is a functionally described organisation without any reference to culture. Those companies tend to literally crack when it is sufficiently adheres to severe stress; the dynamic from the outside hits them. **Flexor metaphor (no flex in the system)** K-Mart was as military an operation that had ever been built. They just had no flex in their system. But, as a metaphor for running a business, the advantage of trust is that you can grow more efficient organisation -- it goes right to the bottom line, and this ties to profit. And business is about profit. **Spectrum metaphor (trust runs across a spectrum)** The harsh underside of that is if someone, on more than occasion, acts in a fashion that is untrustworthy, you have to go exactly to the opposite side of the spectrum. You have to assume that they are, in fact, untrustworthy. And, therefore, act in a manner with them that protects yourself completely.

Pendulum swing metaphor (the trust pendulum)
I think the world goes through a pendulum swing. I think the western world in the last 50 or 75 or 100 years has gone through a series of phases where the notion of a corporation as an entity to be trusted or distrusted goes through sort of a cycle. Corporations will go through a period where they become trusted, they become paternal or maternal or benign or benevolent and then inevitably some high profile series of incidents show that most corporations are not to be trusted and that trust is shattered and then "the pendulum swings the other way too far" and then it is assumed that all corporations are not to be trusted, and therefore, it spreads across the entire business culture, and a lot of businesses knee jerk react to that by clamping down as it were, and that is a metaphor, by letting their internal culture, even if they had a culture of trust, dispel so that they can be seen to be taking action. I think that that is action without merit especially if you are in a trust based culture.

Distance metaphor (further trust)
You trust them this far. Somebody else you trust that far.

Functional trust metaphor (trust has a function)
One of the advantages of venture capital is of course we are stewards of other people's money so the great advantage is when I engage with an entrepreneur, I can say, "Look, I look after other people's money, not my money." And if it comes to the crunch, and we have this degree of trust, but it's contrary to my investor's interest to do something, but you want me to do it and you're relying on this bond of trust, I'm not going to do it. I'm always going to act in the interests of my investors. That's what I'm paid to do. I'm a steward. That's very helpful - it blows the cobwebs away and gets rid of the emotional trust and brings it back to - I guess what it does is, professional trust, functional trust.

Matching mechanism metaphor (trust matches similar characteristics)
So maybe what trust is in the end is a sort of subtle matching mechanism, which if you can get two people to look alike, think alike, feel alike, be alike, then they can meld into a contract which will never get articulated in legal terms but which gets fulfilled. Whereas if you have a

	mismatch, culturally, financially, whatever, then you do need something to tie the two together and trust can't do it. You won't get trust with that mismatch and that's when you need to use a contract to make the two work. **Managing back metaphor** The disadvantage, of course, is the expectation that you will trust and be trusted, and sometimes the trust, for whatever reason, misunderstanding or whatever, you don't want to trust as much as you used to trust. Somehow you've got to manage coming back from trust. Or, in my case, as an investor, I'm a steward of other people's money. I have to go through the hoops. I might want to trust completely and say "Ray, it doesn't even need a letter." "All we'll do is shake hands on it today and you get on with it." I'm a regulated fund manager. I have big institutions that give me money to manage. They would expect me to have a process. So, therefore, we've got to wind trust back and say "but I'm sorry Ray, we're going to have to go through these hoops" even though it seems to be undermining trust because I'm a steward of other people's money, I have to be seen to be going through the processes. So that's one disadvantage of trust - is sometimes you can appear not to live up to it. **Layer metaphor** The other thing, of course, is how you reach a layer of trust. What happens if you lose confidence? If you lose trust. If you don't trust that person as much somehow you've got to manage the relationship back down to a layer of less trust and more formal exchange of information and decision making - more investigating - more due diligence - more contracts - without pissing them off and making them feel untrustworthy or unvalued. They are all emotional people. I get this problem quite a lot - it's a big problem. "Don't you trust me"? "Of course I trust you, but..." I guess the way we manage our way around it - one of the good things about it is, again, you must rely on this idea that you are being a steward of other people's money. **Trust spectrum metaphor** With a high value investment where you've got more formal management or contractual arrangements, you have to trust less. The mandatory degree of trust is reduced because the contract is underpinning it, whereas

	if all you've just got is ordinary shares and less contractual influence, you have to trust a very high degree because you are relying on the management to communicate with you to fulfill that side of the bargain. **Nimble metaphor** It means they are quick to market and quick on their feet and more adaptable. The classic business of being able to out-manoeuvre large corporations because the trust component in a smaller organisation means that information can be shared more quickly and evaluated more quickly and new plans are put into place more quickly. Direction change more quickly -- and for us that's absolutely right. When it works, then the communication back to us as the investor compliments and reinforces that nimbleness of foot in the development of the business. **Distance metaphor (trust stages moving)** What was going wrong in the business is that nobody would tell him because they mistrusted what would happen if they did tell him. Yet clear mistakes were being made. This sort of trust element moved one stage further, people would never hire anybody in that build-up that could possibly be a threat to them because they feared that the Chairman might turn around and say that person you hired is better than you, we are going to put him over the top of you or demote you or he'll have your job and you'll be demoted. So, an effect of this was employees not trusting where the company might go and, therefore, using every possible device to ensure that nobody else came into the company that could threaten their particular patch. That is a perfectly normal type of reaction trying to protect your patch. It's extremely difficult to get an environment where people only ever hire people better than themselves. Businesses which expand fast and grow only grow if your senior men only hire people who have capabilities that are as good as or possibly better than their own. The moment there is a culture brought by trust or otherwise, that you never hire anybody who might be a threat or who might be better than you and seem to be better than you. **Integrity shift metaphor** The culture of misbehaviour by a very small number of people at the top permeates down. In the extreme, you get a flunky who eventually gets to the position of power

	so he, himself, believes he should be entitled to help himself to company funds. Once you are helping yourself to a lunch that costs 30 pounds, it is a very small move to helping yourself to half a million stolen over four years. It is a very small move, because the fundamental shift has taken place, the integrity shift has happened. So as an advisor to people I have always said, "Never, never take benefits out of your business". If you are an owner of a business or an executive, you are paid a lot, you get a dividend, and you have the ownership, do these things privately in your life. **Topping-up metaphor** I don't think you have to keep topping it up. I think you can get in a behaviour pattern. Businesses are so strange because trust and behaviour gets embodied, people may come into the business and go out of the business that don't conform, who aren't trustworthy, but they don't necessarily damage their underlying behaviour. **Level metaphor** And he always knew, and it was the truth, that I always did everything for him that I could - the best. So what was that level of trust? It built up to a level, whereas as a professional now, half of all effort in professional offices is covering your back, getting letters of indemnity, escape clauses, caveats, building a file to protect every decision, and not making very fast deals where a lot of research is not done, a lot of guessing - you don't go and have a day's meeting with people speaking every language and put a deal together and shake and confirm on it, as an accountant without having done all the homework, but you do if you have a man with a level of trust that is so high that you know there can never be an issue of risk. **Placement metaphor** One of the interesting things is if you mistakenly misplaced your trust, the greater your quality of level of that trust at the moment when you find it was misplaced. **Step to slide metaphor** Once you're putting that out as a story and you know it's dishonest and your people know it's dishonest, and people just look at it as a spin for advertising, you've begun to take the step, and so the culture has begun to be there within the business, and that begins to become a

	slide. **Creep metaphor** We have a very topical one at the moment with Shell. I have a friend who, a woman who is sort of a consultant, and she'd go in and deal with a sort of office environment - 7, 8, 10 years ago she did a lot of work for Shell. And talking about it, she said if you really knew what I knew about the culture of Shell, you would not hold any shares in that company. I said "what do you mean"? She said "well it's just completely wrong - the management relationships are completely wrong - it's stuck in a time warp, but the relationships are also wrong." I said "well, everybody in the investment world knows that you never sell Shell." Well, here we are ten years on actually – and she had sensed something that was emerging - just creeping in there was become a pattern of dishonesty. **Construction metaphor** If you want to build a business now - if you set it up and build it with trust, you will ultimately succeed. **Cycle metaphor** So, you get a 30 year old who sets up a business with decent principles, who generates trust, generates good-will and grows that business. He eventually retires at 60 and less able people are replacing him because they tend to go from extroverts and innovators who may well be honest to grey or boring or greedy. That's where I tend to think businesses tend to go in cycles. I think if you look at a lot of small operations that behave in a very trustworthy manner and proportionately it seems as businesses get bigger the less. **Soaring on the back metaphor** The trouble is, in the short term profits can soar on the back of untrustworthy, dishonourable, and fairly rotten behaviour. **Driver metaphor** I think it is completely a fundamental business driver - trust and honesty. There are so in fact close - trust and honest dealing. **Slide metaphor** If you are slightly second rate, maybe the only customer

	you can get is somebody who is a bit marginal, a bit crooked, somebody who will turn a blind eye - all I want is an accountant to turn the blind eye or a banker who will turn the blind eye or a lawyer - you don't mind a bit of back dating do you? I need your help sometimes with documents. So you are slightly second rate – a nod is as good as a wink. That's the beginning of the slide. So, it's because people are doing things that are very slightly second rate, and you get sucked in. **Technology metaphor (computer handshake)** Our theoretical background to trust is probably built on two things. I had to come at it with a computing paradigm which is very much the kind of handshake type protocols - I've got a piece of information that has come down the wire. How do I know who it's from? How do I tell that piece of - how do I send back to the person who sent me that piece of information that I am who I am? Basically how do we handshake? And I think there's a lot in that, so essentially you are seeing Craig at Microsoft, this is a good idea because I think that the Computing Paradigm is a very, very good one and is boiling down to the essence of a transaction of communication. **System metaphor** We expected the wider system to enforce honesty at certain levels, and that breaks down if the feedback loop isn't there. At this point in time money laundering is a very good example of that where you have tremendous amounts of money laundering regulations but no feedback about "are we catching anybody"? How many reports were made? What happens to them? So you've got no feedback in the system and, therefore, the trust also breaks down. **Networks metaphor** We use models like this in this office fairly frequently here in terms of the way we build our trust networks. **Interest alignment metaphor** A lot of people talk about aligning interest as either an indicator of trust or as a mechanism to achieve trust. I have a problem with it certainly in the first role because I can trust somebody to do something, and I'm not sure that their interests are in aligned with mine. I sail a lot - so there are loads of people out there who like to be seen by

	their communities to be life savers and run after lifeboats and institutes and things like that. I'll be counting on them if I ever had an accident, so I'm not in any way shame them. They don't know me at all. They are out there, and if I put in a distress call and they come out and save me, they are doing it for their team. They are doing it for their community. They are doing it because of the way they perceive themselves. But I expect them to come out and deliver. My trust in them is that they will deliver what they say they will. **System metaphor (less volatility)** [Trust means less] volatility in the system. Look at something as simple as a supplier/buyer relationship. Less time arguing. Less time over contracts. Less time querying things. You ring me up I tell you, Guy, same as usual. When do you need it? Next Friday? You'll have it by next Friday. Usual price? That's right Guy. That's a much more efficient relationship than "How do I know when I'm going to get that Mike"? "Can you give me any guarantees on that"? "What happens if you don't deliver"? **Semi-autonomy metaphor** I did not enjoy real knowledge of what was going on, because I did not have a relationship around the world with the members of this company such that they told me what was going on. In every different place there were pockets and groups that just trusted each other. And this culture of semi-autonomy, that's a metaphor really for reservation of trust, in the sense that they weren't working with each other and they had gotten into the habit of not working with each other, and the development organisation was semi-autonomous, and had developed a culture of trust only on to itself, and therefore viewed all of these other organisations not as clients, but frankly as challengers to do their autonomy. You don't trust people who challenge you – you're not on the same side of the fence. **System metaphor (efficiency)** The more you squeeze the volatility out of the system, the more efficient the system is. The more you squeeze that out it affects the system all over. **Construction metaphor**

	So if you can achieve a lot of transactions very rapidly, trust will build up. **Bond metaphor** Imagine we have an organisation where our word is our bond. **Sweet spot metaphor** There is some optimal zone for trust. This is the right level of trust in society taking into account the full range of interactions. When you've got too much trust, you wind up with con men and make you wind up with volatility in the system. When you have too little trust, you wind up with high transaction costs, and again, you have more volatility in the system. So, basically somewhere there's a sweet spot of the right level of trust. **Bond metaphor** It was very important in the merchant banking world, not only within the organisation but between the organisation and its clients and customers. The phrase "my word is my bond" typified the stock exchange in its traditional style and was very important. Yes you did have legal agreements but those usually came very much at the end when the operation was about to involve other parties outside so it became a public interest in one form or another. **Cavity metaphor** I can remember even the last part of 1983 and 1986 and 1989 when I left Barings, this was already becoming apparent and there were some individuals there who - I think we all recognised that they could make a big contribution to the business but they needed an underpinning of controls, and I think that the firm just failed to find the right way through to that control system. It was a different relationship and it was felt that by introducing some of the trusted figures into their part of the organisation one could achieve the similar knowledge. There were some definite cavities in the organisation – a hollowness. **Spatial metaphor (boxed in/new fields)** [Trust] gives the business flexibility. It gives individuals room in which to move instead of being boxed in. It was great job satisfaction provided there was enough motive

	power given from the top, and the business didn't rely too much on its past reputation - that's always a danger - and stopped being active. That happened to some of the comparable businesses in the city of London. They just faded out. I suppose instinctively they were trying to preserve what had been gained in the past rather than going out and seeking new fields to distinguish themselves. In the end it's quite a narrow path you have to pursue between these two extremes. **Placement metaphor** I remember one subsidiary where the manager consistently put a gloss on the results which was accepted because he had been there a long time and people who were his controllers thought they knew him and found out their trust to some extent had been misplaced. It was a disaster. **Machine metaphor** And it can happen at the head of an organisation where an individual or a group of individuals rule the roost and their colleagues put their trust in them without perhaps thinking it through and then a major error is made – the machinery isn't there to question it, but it could equally happen much lower down. **Lubricant metaphor** [Trust] does have an economic value. It oils the wheels in a sense. Things work smoothly. It cuts out some of the friction. **Macro/micro metaphor** On one hand you want to trust the people you work for as individuals. So it depends on what level you are talking about. This is the difference between the micro and the macrocosms. On a microcosm, my staff – I say "we trust Scott and he does the right thing for us and gives fair raises and he's open and transparent about his policies; and his door is always open, and I can talk to him confidentially – he doesn't leak it." All of that is trust in a microcosm sense. In a macrocosm sense, it's like, what if I say to my staff "well I'm going to do the right thing, but I'm overruled by someone higher up the chain." So, they go "well, I trust my microcosm, but I don't like the macro." Usually, for me, as an individual, that is embodied by the CEO, in my view, because the CEO can make the rules

and set the tenor and all that.

Construction (destruction) metaphor
Destroy trust and you are probably losing the customer.
If you've destroyed all trust.

Level metaphor
When you get regulations it's because the trust level is so low that people don't think it's rehabilitatable by the people violated the trust.

Fence metaphor
So, it's important to have trust with suppliers and part of that is creating processes that provide safety for both sides. So what did Mark Twain say..."Good fences make good neighbours?" You may have a trustful relationship but the tr might be compromised if someone thinks you might have stolen something.

Circle metaphor
So the interesting trust question becomes if you had a bad experience in one circle, how does it affect your decisions i other circles and how does that affect the company? If someone buys XP at home, and there's a vulnerability that their identity is stolen or their kids are exposed to pornogra on the Internet or whatever bad things, and they hold us responsible. What happens when the salesman from Micros goes in and says "I want you to buy 500 copies of Windo And he goes "my identity was stolen." "Well that was home
life, not here." "Yeah, but so what." "Your company left a b taste in my mouth." "You weren't responsible with this or w that." So, it's actually probably, especially with IT being so widely distributed, it's probably an interesting difference.

Aggregate metaphor
You have to think about the aggregation -- the individual actions plus aggregation. The individual action is "did you treat that shareholder well"? "Did you respond to their complaint"? "Did you also respond to that shareholder in their consumer capacity when they called up saying the product didn't work and they wanted a refund?" "Did you treat that consumer well when he was on the job using your product that had a problem"? If you want to measure trust, the measurement has these three distinct components in it that have to be aggregated. They may

	not all be positive experiences. Some may be positive. Some may be negative. I think it's somewhat common sense that people aggregate a lot of experiences but their next door neighbour is their best friend and their spouses. Based on an aggregate they have that feeling of "I like that guy or I don't like that guy." "I trust them with my life." "I wouldn't trust them as far as I could throw them." **Asymmetry metaphor** So what we often say you have to think about asymmetric risk which is if you make the right decision, your business may improve and you'll have the good return and that's great and it helps the company as a whole but it mostly helps you as your contribution. If you make the wrong decision, the risk isn't just to you. The whole brand takes the visible public hit. So to some extent when you make these decisions, when you say "well I'm making this decision and if it doesn't work out, well then I'll eat it." You aren't the only one who is going to eat it. The whole company is going to eat it in a brand sense, and you are going to have someone who says "that Microsoft product - I don't know, I have a bad feel about it." Even though the product has great ratings, great this, great that. **Touch point metaphor** So from what we have been talking about...well we now understand, is you get multiple touch points, to be really successful and need to succeed on each touch point. The touch points are massively distributed. Consultants may touch a customer. Your product may touch a customer. The customer may be a shareholder who touches the investment people, so you have multiple touch points widely distributed. To be wildly successful you have to succeed on all touch points, which is a very distributed model.
Religious Metaphors	**Religious metaphor (trust in God is metaphor for trust in organisations)** In a sense it is a continuum – at the one end, you don't actually mind and say "God how curious", and on the other end you mind and you say "how potentially disturbing to my world view". It's the same issue that some of the world's leading physicists run into when they have found that their most cherished hypotheses look

	closer to religious beliefs than they do to hypotheses of statements of the actions of the physical universe. There is a whole dialogue of the great physicists that talk about the difficulty they have...not in reconciling faith and physics, but in dealing with the fact that they need so little reconciliation. Thus, I'll come back to the exact same issue. I personally have an issue with the fact that the cultural world of a corporation has disturbing similarities with faith-based relationships... that people invest in religions, either in God, or in the symbols of God, or in the community of their church; religion is local, communities bond together and those communities – people think people have a personal relationship with God, they may or may not, but what they certainly have is the support of others nearby them who share their belief in whatever belief they have. **Religious metaphor (reverential trust)** There are some similarities here that I find hard to understand. The only thing that they all have in common is a community of people who invest a greater portion of their lives in it. Trust is this thing...different people will entrust others to different degrees at different levels of trust. Some people are very trusting, some people are very untrusting. Everybody starts off differently. Now you walk into a business culture where there's lots and lots of good reasons not to trust. And in fact, to be more precise, where you invest your trust only to the degree where you can see that it will keep your job. So where there is generally an air of no trust, cliques form, teams form, groups form, and this is what happened at Micrografx. I walked in from the outside, and I was an outsider in a lot of different ways. I was an outsider because I was an acquiree, therefore the perception of me was that I was just another company... I was a little guy. So to have gone from the little guy to replace the head guy, who was revered, notice my use of the term there...that is a religious term...Paul Grayson was revered in this organisation. He was what held it together. It was started by two brothers. One of the brothers was the bad boy and one of the brothers was the good boy. They had a very public falling out, but the company in its early years worked well with the good boy bad boy thing... that tension worked, and the bad boy went off. They had a big public falling out, and the good guys stayed behind and he was loved, and he certainly was trusted.

	Religious metaphor (casting bread upon the water) What is it about this conversation that inspires this metaphor about casting your bread upon the water? If you want someone to trust you, or if you want to increase the level of trust they have in you, you must perform acts that are seen by the person that you're aiming them toward, as to inspire in them a step up in their willingness to trust. I believe firmly that if I had walked into Micrografx... the day I joined, and the first thing I had done was gather the whole company around and said, "I don't know you, you don't know me. I don't know where this is going. But let me tell you something. I may or may not be the right leader for this company. Furthermore, I don't even know what all the problems are". Start off where I should have - humble about the issues. I would have created huge terror and uncertainty in the company, but I also believe I would have created the basis for some of them to begin to trust. **Religious metaphor (turning the other cheek)** It's not a matter of turning the other cheek and always being a trusting person even when messages come back to you that somebody is not to be trusted. **Religious metaphor (evangelists)** [A trusting company] is a happy company. People who are enjoying the hell out of themselves and getting enormous amounts done and visibly show their job satisfaction in their every movement and, are evangelists for the business whether they intend to be or not. Whenever they are asked "how's it going"? "It's going great". Even when it's going awful it's going great because it's very exciting. It's not frightening. The only difference between frightening growth and exciting growth is the view you take to that. Fast growth is either exciting or frightening. Troubled times are either exciting or frightening depending upon whether or not you trust that everyone is there to catch you. You trust whether the business will survive, if you believe. **Religious metaphor (burdens of doctrine)** This is quite an interesting area. Theology in the church, moral philosophy around those. One of the burdens of doctrine, of course, is that the sin is in the intent, not in the execution. It seems to be the same is true with trust.

	Somebody is being untrustworthy. The trust does not exist at the moment when one person intends not to live by the commitment of trust. **Religious metaphor (sin)** Temptation to sin, and a sin is breach of trust, is out there. **Religious metaphor (business person as Saint)** The problem with trust - let me come back to entrepreneur trust because this is where I was going. If you are honest, there are two ways you can go. One is incredibly morally demanding which is to be the absolute - my word is my bond. If I said that I would buy this from you for X and even if it makes it personally bankrupt, I am going to because that is what I said. It's such a demanding standard to live by that you wonder if the person living by it isn't a saint. Maybe wants to be a saint. **Marriage metaphor (morality)** You can look at some large organisations where there is a behaviour pattern that is wrong and I'll site one. This is going back enough years, and I told you before, there's an organisation called "The Rank Organisation" - a very, very large company. It was headed by a man who is now dead who gained fame at the age of about 80 by taking on a 16 year old wife. The Rank Organisation had an ethos that if you were one of the boys, you screwed about it. You had mistresses; you hired a new secretary; you hired one that was going to be available over the desk. Really a culture that if that....I could exaggerate this, but it was a perceived culture, if that wasn't the way you behaved, you were never going to really want to be one of the inner circle. Really family wasn't one of the key cultures to this unit. The culture is you're one of the boys, you are running a top rank business. I believe there became a point where that culture permeated right down through that business. There is an old stock broker who said "men who cheat on their wives cheat in business." Put another way around it is rare that you find a man who cheats on his wife who doesn't also cheat on his business. It's rather the two are connected because it is an approach, a behavioural approach. To say that every man who has ever cheated on his wife is a crook would be really rather a lot of crooks about. It is fairly fair to say that most people cheat in the running of their business, most men who cheat in the running of their businesses, also cheat on their wives. So,

	when you have a culture like in Rank, I think there was an aspect that morality culture which may have been insidious within the running of Rank as well. **Religious metaphor (crucifixion)** It's a fairly classic one within a business. If an employee makes a mistake, you put it right but you do not crucify an employee to regain your relationship with an external. You back them. The fault is the company's, not the employee's. **Religious metaphor (crucifixion)** That's I think how trust happens here. Have an environment where, if a person admits a mistake, or comes to you and says they've made a mistake, you don't crucify them; you help them. That is the most critical. **Religious metaphor (Bible salesman)** Curiously one of the people who left this firm, I was meeting with about six months ago, I was discussing with him, I was with my son and he said "Michael, we are bible salesmen, we don't convert the heathens; just forget about the heathens - sell honest stuff yourself" is what he was saying. Forget about the crooks, don't try and convert them. The trouble is, the number of heathens out there is growing. The portion of heathens in the city is higher than it's been in the past. **Religious metaphor (faith)** You are also supposed to have faith and not question some of the work – it depends. You can question, but at the end of the day you are supposed to believe. Corporations don't get that. People don't believe because they are told to believe. And faith is so personal that the loyalty to the Church and God may be completely unshakeable no matter what happens. Loyalty to the corporation is never unshakeable. **Religious metaphor (fervor)** There are people that will dislike you no matter what you do. The facts don't matter. They have almost a religious fervor about that. It's not going to move.
Financial	**Financial metaphor (balance sheet – P&L)**

Metaphors	I believe that there is only one type of trust and the only difference between faith and trust is that one is a balance sheet and one is a P&L. Faith is what you have at the moment -- trust is what is moving back and forth. **Financial metaphor (trust account)** So, at any given moment in time, you have got to begin to proactively...in all that you do...to start to act in a way, that people begin to build an account with you - a process with you - of trusting. **Financial metaphor (trust is base currency)** In my mind, credibility is a base currency. Trust gets ratcheted... and it gets ratcheted on the back (of credibility). **Financial metaphor (trust is a matter of coin)** The issue is that it is hierarchical and, therefore, trust has to be established by being earned by a leader as to a subordinate because a subordinate will trust a superior only to the degree that they earn that trust so it is essentially - it is a matter of coin that is exchanged between them and what makes it unique is the total amount of coin available can be increased by acts of trust. **Financial metaphor (trust bank)** Once a sufficient amount of trust is built up, you can make a mistake and recover trust – there is a bank of it. **Financial metaphor (endow – accounts)** Why he doesn't trust, why he doesn't endow the people around him with trust because there is no reason at the moment of entry why he should trust or not trust, so that he doesn't trust, meaning he has already calculated a negative account as it were and say ok no, in my case, I addressed it directly and said these people are doing a series of activities, "you trust me...correct"? And he said "yes" and I said "well I trust them, therefore, why don't you work on my credit account as it were." **Financial metaphor (borrow against account)** They trusted me so they borrowed that trust on my account for his benefit and he trusted me, so then he borrowed on my account for their benefit. If anyone had not acted in accord, my account would have diminished considerably.

	Financial metaphor (start with positive account) I think trust is built in organisations by starting with an assumptive, positive account on all parties' behalf. Therefore, everyone should start with a credit account, not with either a neutral or negative account, and then they either betray the trust or they can build on it. You have to assumptively put the entire organisation in a position where it is believed that everyone is trusted by each other and you act according to that. That is how trust begins. How trust is built is by ensuring that when people are taking every incident or every evidence of activity that does not support increasing trust and encouraging or teaching or communicating to people that that's a behaviour that in fact doesn't benefit themselves or the other person. So you put a lot of ground work in to what amounts to communication activities. Communication surrounds walking people through why other people do this and how that's a good thing so you educate people how to let go, i.e., trust. In the instance of how do others build trust with me, people build trust with me by acting in a trustworthy manner so that I can see that there is a consonance between their activity and the trust I repose in them so that then what essentially is a loaning of trust becomes a credit account of trust. **Financial metaphor (investment)** So, what is interesting about that is the more you trust someone, the more you invest or handover to them coins of trust, the greater their account becomes, but the greater the potential for them to be viewed as untrustworthy, and the higher you build it, the higher the potential to fall, and therefore, the more you trust someone, the more...essentially the more exposed you are to them, I suppose, but conversely the more opportunities they have then to miss the beat and not to be trusted there is a slight challenge there. Having said that, I think the people also have an assumptive position. In other words, if somebody acts in a trustworthy fashion over and over and over again, if they were to then apparently act in a fashion that was untrustworthy, my first instinct is to actually assume that there is a miscommunication or misunderstanding rather than that they acted in an untrustworthy fashion. They have a credit account, and so it is amazing how useful that is if that is the case.

	Financial metaphor (flexible accounts with cushions) What happens is the system builds a reservoir of trust, it builds up cushions between people so that as things happen that create tension, because businesses are full of moments of tension, if there is a lot of cushion of trust between people, then when those moments of tension happen, even though you are putting stress on those cushions, you are using up coins of trust with your people, you are still on a positive account. People will still forgive, they'll understand, they'll reach out and try to understand rather than moving into the negative, and so you want to have as much of that going on as possible before those moments of tension occur. **Financial metaphor (trust is exchanged – transacted)** In other words trust is something to be earned and delivered, or gifted and expected and you hope for in return. But you have to be intelligent about the handing out of trust; the measurement of what constitutes trustworthy behaviour just because trust is very very useful and very very important does not mean you have to be naïve. To be trusting is not to be naïve. They are separate things, and therefore, trust becomes a disadvantage when people misunderstand the notion of what trust is. **Financial metaphor (investment)** That is inherently a question of whether or not you have invested trust in the business and whether you trust the business - meaning whether you trust the individuals around you that this thing will come through. **Financial metaphor (handing over key to trust vault)** When you talk about trust between Corporation A and Corporation B, from a vendor and a customer, it's really between people who manage the lead individuals who manage that relationship, and if one of those sets of individuals sets out to earn the trust of the individuals on the other side of that fence, so you are still back to individuals deciding to trust or not and in handing over the keys to trust. **Financial metaphor (investment)**

	I believe, on some level, people will invest trust in brands. **Financial metaphor (trust is currency)** Trust is a currency between people is my basic premise, and that it can spread across a great number of people, and it can spread as a part of a culture of an organisation or a religion or a community or a club or a school – any grouping of people, it doesn't have to be a business. I think any grouping of people that enjoy a trust-based system rather than one that is not, are going to end up with a more productive, efficient, better outcome. **Financial metaphor (trust is transactional)** I think confidence is passive. There's no necessary reciprocity. It's inert, there's no transaction - where trust is transactional. There is something coming back in return and they provided the trust. So then earning the trust, building the trust is important because then you've got confidence that the other side of the transaction is going to come back. **Financial metaphor (invest – pool of trust)** We get to this point where we have this shared understanding of the business objectives, where it's trying to go, which is both practical in the sense that we do understand the operating plan, but it's also cultural in the sense that we understand how the management will behave and what they will do, and we are confident that they will behave in what they do. That collectively allows us to undertake transactions with the management which are quick - to the point. I don't have any great legal underpinning in decision making so they can be done quickly and effectively and leave the bureaucracy to catch up later to the degree that it is necessary. Of course, the bureaucracy itself may be extra slim - an exchange of letters as opposed to being some form of legal agreement. That's all I'm trying to say is that, invest once using trust to understand and respect and then you can do a whole series of transactions on that pool of trust and understanding as opposed to having to do due diligence and negotiate a contract every time. **Value metaphor** That is one of the interesting ways of proving the value of trust - through that volatility reduction.

	Financial metaphor (cost of trust) One of the examples I do in terms of the cost of trust where they think this is the cost of lack of trust is the transportation system here in Britain. One of my biggest problems in London, is, I don't know when I'm going to get anywhere. What happens is we could, at great expense, have a transportation system that was punctual in the extreme. It would cost us more than we could dream of. I can spend my whole life being a paranoid freak, but it's probably better to focus on the two or three percent of people who are really out to get me rather than spending my whole life worried about that paranoia, and that trust comes at a cost. **Financial metaphor (arbitrage)** We are in a position now where I think it is exceedingly difficult for organisations to get anything done. That will lead to things like trust arbitrage and in some ways is a way of the future. **Financial metaphor (trust is about future transactions)** I think, in a funny way, trust is not about the transaction at the moment. It's likely about the future perceived ones. So, a lot of our suppliers have to be looking to "what are we going to do in the future with them"? **Financial metaphor (credit)** That was in partnership style of operating. Those in the Nigeria venture which I was really responsible for - I was given a lot of latitude to develop that. We emerged from it unscathed. In that case we earned credit with some of our corporate clients for being in Nigeria, like with Guinness. **Coin metaphor** Trust relates to retention. The '80's was very interesting as companies got somewhat ruthless in the '80's about cutting costs and downsizing and automating and pushing people out. Then there was a period when a company said employees are not loyal; they'll jump for the next best dot com job. You can't get anyone to stay. Those are different sides of the same coin. The fact is that they weren't bonded anymore. So having trust with your employees creates an environment where they want to work here and that they feel good about working here.

	Finance metaphor (trust banks) Doctors, for example, are trust banks.
War/Violence Metaphors	**Body blow metaphor** All businesses take body blows, and one of the body blows is that a lot of large corporations recently have acted in an untrustworthy fashion and positively felonious fashion -- people are breaking laws and stealing money. That would be about as untrustworthy as you can be. **Weapon metaphor** Trust is a weapon. I believe there is an absolute direct hard-core correlation between trusting and vulnerability, and that there is no way around it. The two are aligned perfectly. The more I trust you, the more I am vulnerable to you abusing that trust. Thus, being trusted is a weapon, trusting is not. Let me make it even more cynical. Acting in a trustworthy manner is a very powerful weapon. If you just took that statement in an unadorned fashion and said it to somebody, they would be hard-pressed to figure out what that meant. Notice I said the word "acting", that's the hub of that sentence. I didn't say "being trustworthy", I said "acting in a trustworthy manner". It doesn't mean you're not acting with the right motive... you might be. You might be acting in the wrong motive, motive is irrelevant. **Vulnerability metaphor** I would also assert that the act of trusting is exposure... it is permitting the opportunity for the other to abuse you. **Big stick metaphor** To be honest with you a big issue in the world today is the power of the United States - the degree to which the United States can simply abrogate from treaty commitments. The rest of the world has no satisfactory sanction against the US. That is a worrying reflection of what you just talked about which is that the trust that is necessary in international relations is very hard to enforce against one party who has all the big sticks and is not afraid of the other party at all under any circumstances where there is no arbitrator.

	Military metaphor [Trust] is economic efficiency. It allows speed and it allows....but don't forget what you've done, and again, I think this is a military thing. There's a very good example. I'm a great believer in the German general system which is best. If you have a well balanced army which is operating to a good structure and good passing of information and good operations and all of this is all the way done, then it is possible for somebody like a commanding general like Rummell to give a one paragraph instruction which is to say "Africa called - we'll take this line by this time in order to achieve this advantage over the enemy." This is a spectacularly complex thing. What the implication of that is that you've - just think about the complications of it. You are probably talking about a force of a half of a million men and there are going to be logistics and tank parts and forward based depots and bath units and the artillery and the artillery groups are going to have to do the artillery reserve grid squares and they are going to have to work out the mind field breaching routes and air reconnaissance - it's got to manifest itself as a million lines of instruction cascading down and yet it can be encapsulated and directed from these three sentences with absolute clarity. And a guy like Rummell can rely on the fact that this will cascade down the command structure of Africa called and the details are being filled out to achieve this objective. That's incredibly powerful if you can do it. I think that trust works is exactly - that is all about trust. It's about the fact that the officers in the German general staff are bound by a single honour code or virtually by the loyalty to the German state or to Adolph Hitler. More importantly their shared culture that they all wear the same regimen. They went to the same staff college. The fact that they learned at the staff college and in operating together practically to interact in a reliable way where each can anticipate what the other is going to do under certain circumstances and say you get this incredibly economy of decision making which leads to a very complex sophisticated responses. The beauty of it - this is the thing that I can say about it because it frees up the commander's mind to concentrate which is absolutely critical the element of surprise defeating the enemy in detail. Not worrying about - how many tanks does he need over here because he's got plenty to rely on. This general to be in the right place at the right time. So you

	end up with a brain exploding with information as the supreme commander. You can't do that. No man can do it. You've got to have this wonderful system where the brain is the organisation. I think that what we are doing - when I go and have breakfast with Ray Anderson who is probably is a prime example of an entrepreneur in my portfolio that I absolutely trust and we have this two minute conversation which results in a decision which involves transfer of value or shares, the reason we can do this is because we have invested so much time in communication and understanding the business strategy and going to board meetings and having this little shared value system and having this sort of collected intelligence. **Fragile metaphor** But the trust was forever broken because I was rubbished for earnestly expressing view. A number of partners came up afterwards and said "I completely agree with you." I said "it might be quite nice if you had said "hear hear". It might have been quite nice if you had voiced it, but it was not very nice to have been made an object of derision when one was expressing a genuine concern. I will probably not trouble to express such a concern again. That is a lack of trust. **Fragile metaphor (breaking trust)** Well, once you have trust, just try not to break it. Try not to let people down. Try not to be unfair to people. If it's an employee, try not to be ruthless. Try not to be inconsiderate. There are times when you have to compromise. **Bodily harm metaphor** What you can't do is say oh yes we will scalp him, are you now happy as a customer? That is appalling. That is the most fundamental breach of trust. It may be, but on inquiry, you do need to scalp one of your people because they are no good. **Burning metaphor** If you are put in as the managing partner of any business - you are the boss of the business, it is very easy to produce short-term performance. Short-term performance is created by cutting costs, upping charges. Now you can do that in a professional office. Somebody could come into this office and over the next 12 months vastly

	increase the profitability. Freeze all salaries, unload one of your weaker members of staff, up the charges to the customers, downgrade the service, and this office will make more money next year, the year after, and probably the year after that. As the experts are brought in, "I want a bonus, based on the turnaround - I get a vast bonus because look what we have achieved". What I have done has made money by burning trust, by burning good-will. **Burning metaphor** When you have a successful business, it can continue to make a lot of profits despite the fact that you've burnt and blown the trust, so I think what is beginning to emerge is that you have a better chance of small businesses having the correct morals, the correct integrity, and the correct level of trust than you do in big businesses. **Fragile metaphor (breaking trust)** They have blown trust. If you bought a Rover Car 30 years ago, it was a superb car. Ten years later if you bought a Rover Car, it rusted apart before you got it off the showroom floor. For years nobody bought a Rover - this is probably the best name outside Bentley or Rolls Royce in the world. It became synonymous with rubbish. Trust had been broken. In the short term, of course, Rover made a lot of money because they built a generation of lousy, cheaply produced cars and could sell them at a good price because everybody knew they were getting a good car, but actually what they found was a bad car so they didn't buy another one. **Sexual assault metaphor** Improper behaviour isn't something that somebody suddenly does - it's a bit like people who carry out sexual assaults. There is always a pattern of minor offences progressing up over a period of ten or 20 years. Improper behaviour in the commercial world and untrustworthy and dishonourable and dishonest behaviour isn't something that somebody suddenly does. There have always been masses of signs on the way that it's coming. It's our facility to ignore those signs. **Fragile metaphor (shattering)** I think one of the sad things about business today is that trust between shareholders and its public company and management and boards is very much reduced.

	Everyone is happy as long as profits are increasing. As soon as the business hits a rough patch, there's an immediate inclination to blame somebody in the corporation. That's trust on a more macro level. It's in part brought on by management sometimes having them take advantage of their position and not putting the shareholder's interests first. You get a combination of very high rewards in the short-term. That's a very fragile relationship which can shatter at any time. **Military metaphor (British in Southeast Asia)** I haven't really thought of this before but one of the things that was said about the experience of the British in Southeast Asia in the '39, '45 war, was that Singapore was very heavily fortified but the guns were pointing in the wrong direction. They were pointing out to sea whereas the Japanese came down the Malaysian Peninsula. I think we can say the same thing about the way in which – in a number of different ways - the Barings group was structured.
Mixed/Idiosyncratic Metaphors	**Permission metaphor** Trust is essential to our organisation because the efficiency of a business is in direct relationship to a) whether or not trust exists; and b) to the degree that trust exists. Trust permits independence. Trust permits the empowerment of the employee. Trust permits a flatter organisation of layers because people can have more people under their management. It permits a huge number of things that in its absence makes it more costly and less efficient. **Game metaphor (much like chutes and ladders)** People in a position of power have to give trust in order to get it back. Thus earn the trust of those below them. As a CEO, I have to show that I trust if I ever expect people to be empowered and to act in a way that makes them fully enabled to get things done. Equally so, trust has to be earned in that one has to act in a trustworthy fashion. That is to say if one does something and then lives by it, then you earn a point of trust. If one does something and doesn't live by it, then you not only lose that point of trust you actually go into a position where it is binary, and it takes much less effort to create distrust than it does to create trust. And in fact the cost of creating trust is a

	consistency of activity that is rarely or never broken. **Voyeur metaphor** I think confidence is a voyeuristic manifestation of trust. Do you know what I mean? I think that trust is about knowing that there is a mutual commitment which has got an obligation at the end of it and expecting that obligation to be fulfilled. I think confidence is merely your state of mind when you look at an individual, and the degree to which you anticipate that they will do what they said they were going to do or they were going to deliver on a performance plan, but where there was not necessarily any particular direct consequence to you in the sense of fulfilment of an obligation to pay you back money. **Tribal trust metaphor** Essex is a county to the east of London where a lot of the people who live there used to live in the east end. The east end got this very strong metropolitan city culture - a tribal culture. Not particularly law abiding but very strong traditions of honour and not breaking your word. We invested in a guy who was developing a series of coffee shops around the eastern fringe of London. For various reasons this went wrong. In particular because the landlord enforced a rent review which was six times the level of rent this business was having to pay. And that was unsustainable. The business was insolvently liquidated, and he – although he didn't actually become a personal bankrupt, he went in to this sort of protection from creditor's arrangement in the UK called an "individual voluntary arrangement." He couldn't own shares in nor be a director of any other business while he was in this individual voluntary arrangement. For him to, therefore, carry on and we had been working on a project for an alternative for him, he had to trust us that we would employ him as manager, the investor, and that when his voluntary arrangement ended, he would get his share of the equity and would be appointed a director, but there was no legal agreement for that to happen. Now that had to work on trust and we did fulfill our side of the bargain. Now he owns 55% of that business and he is the managing director and owns more of it than we do, even though for a period we owned 100% - and that's pretty potent stuff. **Colour metaphor**

	It's not as black and white as that. We all know that these things aren't vibrant. You have to engage with other people even though you don't trust them completely. **Short hand metaphor** I think in that sense it's a really useful exercise in looking at trust because I think leveraged well, used well, and understood well, it can give a short-hand for business transactions which is incredibly impatient and fast. **Joint enterprise metaphor** We've got to have trust. We've got to have trust. We've got to have a sense of the joint enterprise. I do think that is what we are trying to get to. This idea of a joint enterprise and it is our company and we are working on it together. That isn't going to happen unless we build trust, but equally, we've got to be professionals so trust is conditional. Trust has to be conditional. As long as you are a professional, and behave like a professional, we will be professionals and we will behave like professionals and we can trust each other and get on with it. **Exposure metaphor** Are you prepared to drop your trousers in front of somebody in a commercial term? If you trust dropping your trousers, are people going to laugh. That's the expression, will you drop your trousers and will they laugh at what they see. If you trust that they are not going to laugh, then you are prepared to drop your trousers and expose your views. **Cleaning-up metaphor** Quite often there is no trust at all. Quite often the response is "well, you know Mr. Smith has been lying to me for ages. When I asked him if there were difficulties, he always said that the check was in the post. It's the third time he's told me that." Of course it wasn't in the post, he may have said that, but it wasn't the post. "Are you saying he lied to me?" His back was to the wall, but now we are now doing what's right. By cleaning up you can restore that trust. **Exposure and fragile metaphor** You end up finding there are people you've known for 30 years, and trust has never been broken so the degree of trust is hugely greater and the extent to which you will

	drop your trousers or expose yourself becomes greater. **Cooking metaphor** I think you can boil trust down to simple things. What has been the pattern of behaviour and what is the pattern of behaviour of a person? If a person steals from the petty cash, by and large they are probably not trustworthy. Terribly simple things indicate people aren't trustworthy. **Brand metaphor (Heinz)** The brand value of Heinz is that we know when we open a tin of Heinz or a can of whatever that the product is as we expect, is good – it has a brand value. That's good-will. We actually trust Heinz to produce a reasonable product. Probably, and we have significantly less trust that McDonalds will produce a good product, but as most of the people buying McDonalds are youngsters and wouldn't know the track record it is not so important. You or I might be more cautious. So, Heinz probably has a trust value. McDonalds has just a brand name, an advertising image. Maybe there is a trust there. You can trust you get the same beastly, greasy burger at McDonalds anywhere in the world - maybe there is a trust. **Feeling metaphor** At the end of the day trust is a feeling so its future perceived perceptions - its not just mathematical – it's about "how do you feel your relationship is going to be with this firm" that really what matters. **Brand metaphor (brands are trust)** If you look at trust in some ways, people like to play the brand angle on it. Brands are trust, and that's one way to value trust. **Herd metaphor** Japanese seem to have very interesting organisations where they have huge numbers of people who are involved in a single decision but they can still get it tremendously right or wrong. Usually the ones that get it right are the ones who have departed from that slightly herd-like mentality. **Relevance metaphor** Or maybe we could call it "related trust" which is: Is my relationship with Microsoft in my home computer actually

	linked to my relationship with Microsoft at work? So that I find it relevant. So the fact that my dishwasher went on the fritz and the GE call centre took forever to answer the phone, I don't link that to the same people in the airplane industry for a host of reasons. A different part of GE makes it, there's a lot of FFA oversight. There are airline mechanics. There's all sorts of stuff there. So I would say that my lack of trust in my dishwasher was not linked to my flying experience. On the other hand, if you are running XP at home and XP at the workplace, the product is so similar and the experience is so similar - the same desktop icons, that link might be high. **Brand metaphor (trust and company brand)** Let's suppose you are a shareholder. So you have a problem with XP; you called the help centre; you get the runaround. You start telling your friends that Microsoft is not responsive. You are not impressed. You are also a shareholder. You send a letter of complaint to the CEO, and no one gets back to you. You're probably inclined to say "Microsoft is just not responsive." They don't respond to my computer complaints. "They didn't respond to my shareholder letter." "They have a corporate culture of just blowing us off." Even though the shareholder relations' people might be very different than the technical support people, GE engines or not, the consumer might link that because the issue is the same - unresponsiveness to an inquiry by someone with a relationship with the company. Because they were looking for a response to an inquiry, it's similar enough in their own mind that they go "this is linked; they are just an unresponsive company." If I sent a letter to GE aircraft engines and GE dishwashers, and I didn't get a response from either, I probably wouldn't associate it with GE just because those products are so different. If they didn't have the label of GE on the engine, I never would have known. My point is, I suppose, is that shareholders are also users and they might combine disparate communications to craft their visceral feeling about the brand as a whole, which is why to gain trust as a company brand we have to do the right things in every area - every area where the customer might link you.